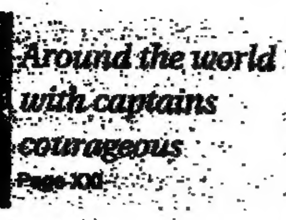
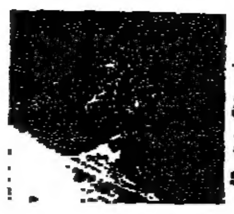




T Rex ate my role: eclipse of the star system
Page XXIV



Pink Snow: the FT's guide to the world's top ski resorts.
Separate section

Euro Disney
Is there a future for fantasyland?
Page 4


# FINANCIAL TIMES

Europe's Business Newspaper

WEEKEND NOVEMBER 13/NOVEMBER 14 1993


## UK probes failure of companies to win EU contracts

Britain is investigating why UK companies do not win a bigger share of the £500bn-worth of public contracts awarded annually in the European single market. The government fears that unfair practices or legal loopholes blocking free trade may be to blame. Since January, public works contracts worth at least Ecu5m (£3.8m) and supplies contracts worth Ecu750,000 or more are supposed to have been open to competition. Page 24

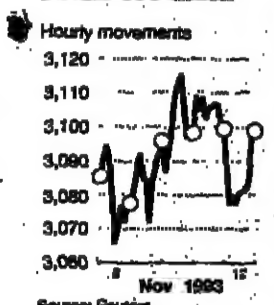
**Unilever rise curbed:** Unilever saw third-quarter taxable profits rise 5 per cent to £613m. Poor ice cream sales and competition in the North American detergents market held back the Anglo-Dutch food and consumer products group. Page 10; London stocks, Page 15; Lex, Page 24

**Cigarette prices raised:** Shares in Philip Morris surged after the US group said it would raise wholesale cigarette prices by 4 cents a pack to match the increase announced earlier this week by RJR Reynolds. Three Wall Street securities houses upgraded their ratings on the stock. Page 12; Wall Street, Page 21

**Shipyard loses more jobs:** Receivers at Swan Hunter shipyard on Tyneside announced that another 510 jobs would be axed, leaving a workforce of about 1,000.

**FT-SE 100 Index**

Hourly movements




Source: Reuters

**London stocks rally** Shares bounced back after a volatile day in London. In early trading the FT-SE 100 Index fell nearly 25 points on pressure from stock index futures, but rallied to the trade figures, and dealing ended with a flurry when Wall Street opened its new session on a firm note. The FT-SE closed just 0.6 points lower on the day at 3,099.1. Page 15; Markets, Weekend FT Page II

**Qantas finance chief quits:** Graham Jones is quitting as Qantas's finance director after only 11 months with the Australian airline. The company has also changed its chairman and managing director in the last nine months. Page 12

**Murdered policeman buried:** Mourners packed a south London church for the funeral of policeman Patrick Dunne, 44, who was shot dead by suspected drugs dealers last month.

**British Gas delays plan:** British Gas is delaying plans to split its UK business into five separate divisions. The company said that the changes, which were to have taken place at the end of the month, would not be delayed long. Page 10

**Gallo charges dropped:** The US government has dropped charges of unethical conduct against Aids researcher Robert Gallo, who is credited with co-discovering the HIV virus with France's Institut Pasteur. Page 2

**Violence sweeps prison:** Two senior officers were beaten in violence involving Loyalists at Northern Ireland's top-security Maze prison. A prison officers' spokesman claimed prison chiefs had lost control of the Ulster jail, which holds many convicted terrorists.

**Delors targets interest rates:** European Commission president Jacques Delors identified lower interest rates as the key to starting to solve the EU's jobs crisis. "The driving force can only come, in the short term, from a lowering of interest rates," he told a German Social Democratic Party conference in Frankfurt.

**Agnelli family shake-up:** Umberto Agnelli quit as deputy chairman of Italy's Fiat. He had been expected to succeed elder brother Gianni as chairman in June, but Gianni announced Fiat would change its retirement rules to allow him to stay on for another two years. Page 12

**Steel slides into the red:** Japan's five leading steel companies slid into the red in the six months to September. The world's biggest steel producer, Nippon Steel, showed a pre-tax loss of Y16.7bn (£104.4m) compared with a Y14.1bn profit in the same period last year. Page 12

**Haldeman dies:** H R Haldeman, former US President Richard Nixon's chief of staff and a key figure in the Watergate scandal, died of cancer aged 67.

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 3,099.1 | (-0.6) |
| Yield | 3.82 | |
| FT-SE Eurotrack 100 | 1,339.42 | (+3.5) |
| FT-A All-Share | 1,527.48 | (-0.1%) |
| Nikkei | 18,493.55 | (+335.03) |
| New York lunchtime | | |
| Dow Jones Ind Ave | 3,682.83 | (+20.4) |
| S&P Composite | 464.72 | (+2.08) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | 3% |
| 3-mo Treas Bills: Yld | 3.168% |
| Long Bond | 100½ |
| Yield | 6.184% |

**LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 5⅜% | (same) |
| Liffe long gilt future: | Dec 114½ | (Dec 113⅞) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Jan) | $15.805 | (16.07) |

**Gold**

| | | |
|---|---|---|
| New York Comex (Dec) | $373.8 | (376.4) |
| London | $372.2 | (376.25) |

**STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.4832 | |
| London: | | |
| $ | 1.483 | (1.4785) |
| DM | 2.5075 | (2.5) |
| FFr | 8.73 | (8.7125) |
| SFr | 2.22 | (2.2125) |
| Y | 157.5 | (same) |
| £ Index | 80.7 | (80.6) |

**DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.684 | |
| FFr | 5.8635 | |
| SFr | 1.4892 | |
| Y | 105.85 | |
| London: | | |
| DM | 1.6815 | (1.6825) |
| FFr | 5.8875 | (5.8925) |
| SFr | 1.497 | (1.496) |
| Y | 106.15 | (106.45) |
| $ Index | 65.3 | (65.2) |

Tokyo close Y 105.47

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## Export outlook brightens as sales surplus to EU reaches £310m high

# Trade boost for recovery hopes

By Peter Marsh and Peter Norman

A SHARP drop in the UK visible trade deficit in August yesterday raised hopes that exports would play a more important role in sustaining Britain's economic recovery.

The Central Statistical Office said the gap between visible exports and imports was £7.61bn in the first eight months of this year. This followed a £1.5bn reduction in earlier estimates of the deficit between January and July as a result of improvements to the system for collecting data.

The trade deficit fell to a seasonally adjusted £419m in August, the lowest monthly total for 6½ years, from £1.06bn in July. The UK recorded a surplus in the month of £310m on trade with the rest of the European Union – the highest surplus since the start of the 1980s.

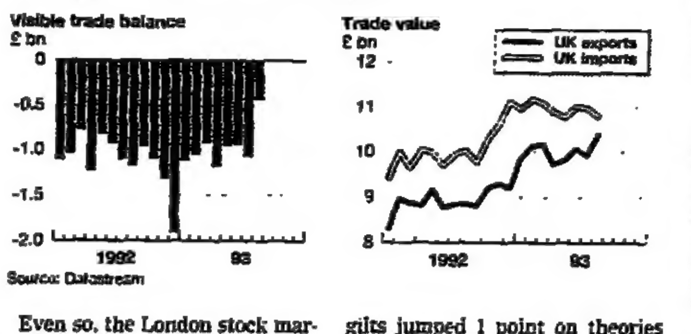
The data gave a more encouraging view about trends in the UK's trade deficit – which until yesterday had been thought to have been increasing because of a slowdown in exports and a pick-up in import growth.



Further positive news about the sustainability of the upturn came from a rise in manufacturing output in September after a sharp decline in car output in August.

Government statisticians admitted that a question remained over the accuracy of the export and import figures, which are based on the trouble-prone Intrastat system for collecting trade figures across the European Union.

**UK exports narrow the trade gap**




Source: Datastream

Even so, the London stock market interpreted the trade data as helpful to the recovery outlook. The FT-SE 100 index of leading shares, helped by a firm opening on Wall Street, closed just 0.6 lower at 3,099.1, after falling 25 points earlier in the day.

The pound finished in European trading nearly 1 pfennig higher at DM2.5075 and half a cent up at $1.4830. Long-dated gilts jumped 1 point on theories that the slowdown in imports showed weak demand pressures and consequently little risk of an inflationary surge.

The Treasury greeted yesterday's economic news as "encouraging", even though it warned against reading too much into the August trade figures. Indications that the economy is continuing on a recovery path may strengthen the chances that Mr Kenneth Clarke, the chancellor, will risk tax increases in the Budget on November 30 without worrying that they will hold back the upturn.

The manufacturing data, however, held out little hope of any sharp increase in factory production. Although manufacturing output increased a seasonally adjusted 0.4 per cent in September, the recovery was insufficient to prevent a 0.1 per cent decline in manufacturing output between the second and third quarters.

By contrast, output of production industries, which include the energy sectors as well as manufacturing, increased by 1 per cent in the latest quarter.

Export values were a record in August, continuing a strong trend since the start of the year. On the basis of the new figures, underlying import volumes have barely increased since sterling's devaluation 14 months ago.

# US retail sales surge confirms speed-up in growth

By Michael Prowse in Washington

A SURGE in retail sales in October provided further confirmation that US economic growth is accelerating.

The Commerce Department said yesterday that retail sales rose by 1.5 per cent last month and by 6.2 per cent in the year to October. That was the seventh consecutive monthly rise in sales and the biggest increase since April. Analysts had expected a gain of only about 1 per cent.

By midday, the Dow Jones Industrial Average was up nearly 17.6 at 3,680.63. But bond prices were little changed.

Mr Ron Brown, commerce secretary, called it a "clear signal that our economy is improving". He said: "Real growth is accelerating as inflation continues to decline."

The sales increase was led by a 3.6 per cent increase in car sales between September and October. Sales of furniture and building materials rose 3.9 per cent and 3.5 per cent respectively, reflecting robust homes sales. Department stores and restaurants registered increases of 1.1 per cent and 0.8 per cent.

The figures follow buoyant statistics indicating that growth is accelerating in most sectors after a disappointing first half.

Most analysts are projecting economic growth at an annual rate of 3.5 per cent to 4 per cent this quarter, after growth of 2.8 per cent in the third quarter when output was depressed by flooding in the Midwest. Annual growth was only 1.3 per cent in the first half.

Signs of accelerating growth have caused jitters in bond markets, where yields have moved back above 6 per cent, because investors fear it will put upward pressure on inflation and prompt a tightening of monetary policy.

But many economists say growth will slow down next year because consumer spending is outstripping personal incomes. Price figures this week were mixed but, on balance, seen as signalling continued moderate inflation of about 3 per cent.


Currencies, Page 13
US stocks, Page 21


# DTI probe launched into Queens Moat group after losses

By Maggie Urry

MR Michael Heseltine, trade and industry secretary, has appointed inspectors to investigate Queens Moat Houses. The hotel group announced a loss of £1.04bn two weeks ago and is talking to banks about refinancing its £1.18bn of debt.

The company welcomed the investigation and said it was in the best interests of shareholders. Mr John Bairstow, former chairman, said he would co-operate fully with the inspectors.

Under Section 432(2) of the Companies Act 1985, inspectors can be appointed if circumstances suggest fraud, misfeasance or misconduct, or if shareholders have not been given information they might reasonably expect.

Since QMH's difficulties became public in March and its shares were suspended, all its former directors have resigned.

The DTI asked the inspectors "to look at various matters drawn to the department's attention in respect of transactions and accounting issues" highlighted in the 1992 results announcement two weeks ago.

The announcement referred to suspected breaches of company law – notably involving the payment of £83.3m of dividends over the past three years – and sale and leaseback transactions involving directors that should under stock exchange rules have been declared to shareholders.

It also said new directors had been unable to find the working papers used to produce the 1992 interim results. It is likely that the inspectors will question former directors on the issue.

Mr Bairstow said: "I can't tell them anything. David Hersey was finance director. He is a very precise and pernickety chap." Mr Bairstow said he was sure Mr Hersey – who was suspended from the company in April – kept a master set of the papers in his filing cabinet. "I very rarely went into his office," Mr Bairstow said.

Although the DTI gives inspectors a remit when appointed, it is up to them to decide how far their investigation will go. They are not given a time limit, since investigations can be complex.

The inspectors are Mr Adrian Burn, the London region managing partner of BDO Binder Hamlyn, the accountants, who has been involved in previous DTI investigations; and Mr Patrick Phillips QC, a barrister with experience in accountancy and finance matters.

Raised profile: John Major addresses a meeting on law and order at Ealing council where he told community leaders he shared the frustration about rising crime. The prime minister is spearheading a campaign for a return to traditional values, saying it is an integral part of the government's economic strategy Report, Page 6 Reuters

# Nissan to cut UK output and seek smaller workforce

By Kevin Done,
Motor Industry Correspondent

NISSAN is to halve production at its £900m car plant at Sunderland in north-east England during the first two months of 1994 and reduce the 4,600-strong workforce.

The Japanese company is taking drastic action because of the impact of the continuing steep decline in west European new car sales, which have fallen by 15 per cent in the first ten months of this year.

Nissan, the first Japanese carmaker to establish a car plant in Europe, insisted it was not abandoning its commitment to full job security, but it was seeking to reduce the workforce both through increased natural wastage – currently running at about 4 per cent a year – and an "agreed separation programme".

Staff in all areas at the Nissan Motor Manufacturing (UK) plant, which started production in 1986, are to be offered six months' salary to leave the company, but there will be no compulsory redundancies. Payments will not be based on length of service.



Nissan insisted the action could not be termed a voluntary redundancy programme, as it had set no target for the reduction it was seeking in the workforce.

Mr Ian Gibson, managing director, said the company had told employees "if you want a job, you have it". Job security "remains our chief priority," he said.

Nissan has already moved to single-shift working for November and December by eliminating the night shift, in order to cut output from 1,200 cars a day to about 600. Some 2,400 of its 4,600 employees will now work alternate weeks only on day shift for


Continued on Page 24


# Divers find hidden charms of the Ruhr

## Tourism has come to an industrial heartland, says **Christopher Parkes**

SCUBA diving in a flooded coal bunker may not be everyone's idea of fun. The same could apply to hiking over slag heaps, least of all in Germany's Ruhr valley. But there is a demand, and there is a supplier.

It is the job of IBA Emscher Park, a North Rhine-Westphalian state development company, to seek out new ways of enhancing the charms – for investors, visitors and residents – of Germany's one-time industrial heart.

It has an eye for the unusual, and no shortage of willing voluntary helpers.

For example, the potential of the flooded honeycomb of underground shafts and ore and coke bunkers beneath the redundant Meiderich steelworks, closed in 1986, and now part of the North Duisburg Country Park, was first detected by members of the Duisburg diving club.

Recently given permission to explore, they surfaced bubbling with reports of clear waters and still-intact hydraulics systems and complete electrical installations. Even the public address loudspeakers were still there.

The club's subsequent request to have the works' redundant gas holder converted into a 7-metre-deep training tank is currently under consideration, according to the IBA's Ms Anette Kolkau.

For the less adventurous, the parks' surface attractions include the preserved remains of three blast furnaces.

For those with the legs, there is a hiking trail, more than 100km long and meticulously marked, which arches across the northern reaches of Dortmund, through pockets of greenery, over slag heaps, past pit heads and through the ageing workers'


Continued on Page 24
Unlucky or unwise? Page 4




## CONTENTS






LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

# Germany's deficit at DM235bn record

By Quentin Peel in Bonn

GERMANY'S budget deficit will this year reach a record DM235bn (£95bn), or 7.2 per cent of gross national product, according to figures published in Bonn yesterday.

In spite of a last minute demand by parliamentarians for a further DM5bn cut in central government spending next year, the 1994 deficit will still reach more than DM220bn, or 6.8 per cent of GNP, and may well be much higher, according to the calculations.

The calculations include the deficits of the federal government as well as the 16 states, local authorities, and a string of public sector funds and bodies such as the Treuhand privatisation agency, German railways and the mail services.

Mr Rudi Walther, chairman of the parliamentary budget committee, and a member of the opposition Social Democratic Party (SPD), published the figures yesterday, accusing the ruling coalition of being "financially and morally at an end." He said the budget was sinking "into a chaos of debt".

He was presenting the results of the budget negotiations for next year, concluded late on Thursday night, in which the federal government deficit will be kept below DM70bn, only thanks to the imposition of an across-the-board DM5bn "global reduction" agreed by members of the coalition at the last minute.

Hopes to keep the federal deficit to only DM68bn were dashed by the latest estimates of tax revenues next year, published earlier in the week, which suggest a DM2.7bn shortfall below the original estimate on which the draft 1994 budget was based.

In addition, the federal labour office is expected to run a further huge deficit next year, as unemployment continues to rise.

Mr Theo Waigel, the finance minister, now has to find ways of saving the extra DM5bn, on top of the painfully-negotiated DM21bn savings package already pushed through.

Mr Walther's figures suggest that the overall public sector debt will reach DM1,923bn in the current year, or 61.6 per cent of GNP, rising to DM2,169bn next year (66.8 per cent of estimated GNP), DM2,317bn in 1995 (67.4 per cent of estimated GNP), and only dropping to 65.4 per cent of GNP by 1997.

All those figures suggest that public sector debt in Germany, when including the debts of all public authorities like the Treuhand, the post and the railways, will remain well above the 60 per cent of GNP limit proposed for European economic and monetary union.

# Accord clears the line for sale of railways

By Quentin Peel in Bonn

THE way to the privatisation of the German railways was cleared last night, with a hard-fought compromise negotiated by Chancellor Helmut Kohl and the prime ministers of Germany's 16 federal states.

A row over how to finance the future of local commuter rail services, which might be threatened by privatisation, had to be taken to the ultimate German political summit to break the deadlock.

Now plans for the creation of a privately-constituted Deutsche Bahn AG can go into effect next year, leading to the eventual creation of three independent companies to run passenger transport, freight transport, and the rail infrastructure.

Last night's deal was greeted by the German industry federation (BDI) as a "victory for commonsense," after the federal government had agreed on new measures to help finance the cost of local transport in coming years.

The deal means that the 16 states will in future have a share in the planned oil tax, to be introduced next year to finance the railways' reform. The combined Deutsche Bundesbahn, in west Germany, and the Deutsche Reichsbahn in east Germany, need the finance to service a DM70bn (£28bn) debt burden.

Cross-party agreement, and the acceptance of the federal states, was needed for the rail reform, which requires changes in the German constitution.

In 1995 and 1996, Bonn will provide DM14.5bn for the states to subsidise commuter services, including DM8.2bn from the oil tax, which comes into effect on January 1. The total federal subsidy, including the oil tax element, will rise to DM15.3bn in 1997, and as much as DM17.3bn by the end of the century.

The figures suggest that the federal government has had to pay handsomely from future revenues, in order to buy the agreement of the states to the rail reform plan.

The privatisation is planned to take place over 10 years but the national system will only be responsible for inter-state and cross-border travel, leaving the loss-making commuter services in the hands of the state governments.

Mr Matthias Wissmann, the transport minister, said the negotiations had been carried out "without any ideological debate." He hopes to introduce the amended bill on rail reform in the Bundestag this month, with the hope of having final approval by the beginning of December.

# Trade accords 'will benefit US'

By David Dodwell, World Trade Editor

RATIFICATION of the North American Free Trade Agreement and the Uruguay Round of talks on trade liberalisation would bring substantial cumulative benefits to the US economy, a survey of 35 economic forecasters concluded this week.

It says that ratification of the Nafta, over the next 15 years, would raise the real level of the US gross domestic product by 3 per cent. A successful Gatt deal would add a further 4 per cent over the same period.

Conducted by the London-based Consensus Economics, the survey nevertheless reflected considerable uncertainty about success either in next week's Nafta vote in the US Congress, or in meeting the December 15 deadline for completion of the Uruguay Round.

The US forecasters gave a 57 per cent chance that Congress would ratify the Nafta, but assigned a bare 51 per cent chance of the Uruguay Round being successfully completed.

The findings coincide with signs in the US of a swing in public opinion behind the Nafta.

Public support for the pact has leapt from 34 per cent to 57 per cent in the wake of a nationwide televised debate this week between Vice President Al Gore, and Mr Ross Perot, the Texas billionaire who is a leading Nafta opponent.

The Consensus Economics survey points to Nafta providing a $4.5bn (£2.9bn) boost to US exports in the first year after ratification, rising to an annual $13.2bn by the year 2005.

Gains from a successful Uruguay round outcome would be even more marked, boosting exports by $6.5bn in year one, and more than $34bn by 2005.

US imports would rise, but less markedly.

The forecasters see the agreements trimming inflationary pressures, slowing the rise in employment costs, and generating a "small net increase" in jobs.

Anti-fascist Greek students march through central Athens yesterday in protest at an attack on a woman by a neo-Nazi group

# Greek police disperse rioters

GREEK riot police yesterday fired teargas to disperse scores of masked youths who hurled stones and set a fire-engine alight after an anti-Nazi march in Athens, Reuter reports from Athens.

Police said that about 100 youths had ran amok after the peaceful march by some 2,000 students who were protesting against a recent attack on a teenage girl by a neo-Nazi group. Riot police fired a dozen rounds of teargas near and into Athens University business school, where the rioters had fled after they set the fire-engine alight.

When a second fire engine arrived, the youths drove off the new fire fighters with a rain of stones and other objects. They then fled when riot police arrived and fired tear gas.

Earlier students had marched through Athens, chanting "Down with Fascism" and "Never, never, never" as they waved banners aloft, sang and danced their way along central Stadion Street.

The march was called after the Public Order Ministry ordered an investigation on Thursday into a neo-Nazi group that allegedly had etched a swastika on the face of a teenage student.

The alleged incident is the first publicised case of such violence in Greece.

# Dasa threatens further closures and job losses

By Christopher Parkes in Frankfurt

DEUTSCHE Aerospace might have to close more German factories and shed a further 11,000 jobs if business and political conditions fail to improve, the loss-making Daimler-Benz subsidiary warned yesterday.

The threat emerged during talks in Munich at which Dasa executives rejected regional political leaders' appeals for a reprieve for six of the company's 52 sites and at least some of the 16,000 jobs scheduled to go by the end of 1996.

The group, which includes Germany's stake in the European Airbus and joint-venture Eurofighter projects, announced its closure plans last month, bringing to nine the number of factories, maintenance and logistics centres facing the axe.

Mr Jürgen Schrempp, Dasa chairman, suggested five more might be in danger in a newspaper interview published yesterday.

He rejected offers of financial support from the Bavarian and Lower Saxony governments. Dasa needed no subsidies, he said after the meeting, but government had to decide whether Germany needed a defence, aircraft and space industry.

Mr Edmund Stoiber, Bavarian prime minister, said a Bonn cabinet commission, chaired by Mr Theo Waigel, federal finance minister, was to be set up to review aerospace and defence policy. Issues to be addressed included possible indirect means of stimulating the industry and a moratorium on space spending cuts.

Mr Schrempp also rejected claims from the Lower Saxony government that the doomed Lemwerder aircraft maintenance works was profitable. The site, which employs around 1,000, lost DM35m last year. Aircraft maintenance was simply not an economic proposition in a high-wage economy like Germany, he said.

Dasa, which accounts for around 80 per cent of the country's aerospace industry, aims to return to profit in 1995. The present job cutting and works closure programme is intended to save DM1.5bn a year.

# Aids scandal prompts tighter controls on blood testing

By Ariane Genillard in Bonn

MR Horst Seehofer, the German health minister, yesterday announced new measures to improve the testing of blood products in the wake of Germany's biggest medical scandal.

The new regulations require all blood products, which by law must be tested against the HIV virus that causes the Acquired Immune Deficiency Syndrome (Aids), to be re-examined before they are put on the market.

The Paul-Erhrlich Institut, which conducts similar procedures for serum and vaccines, is expected to be given responsibility for the new controls, which will include detailed lists of all involved in the preparation of these products.

The regulations include a four to six months quarantine for blood products as the HIV virus may be present but too young to be detected. They will come into force on January 1.

Mr Seehofer also announced that the federal state will create a DM20m (£8m) fund to compensate AIDS victims who acquire the HIV virus through a blood transfusion. The German Red Cross said yesterday it would give an additional DM3m to the national Aids foundation.

The new measures follow allegations last month that UB Plasma, a Koblenz company, had sold blood products containing the HIV virus. A second company called Haemoplasma from Lower Saxony is also being investigated for for allegedly failing to regularly test blood products.

# EU forces Bundesbank rethink

By Conner Middelmann

THE Bundesbank will have to adopt alternative methods of fine-tuning German money market interest rates when, as is probable, it abandons its Paragraph 17 facility early next year.

Under Paragraph 17, government funds deposited in non-interest bearing accounts at the Bundesbank are injected into the money market at market rates to ease temporary liquidity shortages.

The facility is now threatened with abolition because of stipulations in the Maastricht Treaty for European Monetary Union that ban the use of central bank credits to finance national budgets during the second stage of EMU, which takes effect on January 1, 1994.

German public authorities currently must deposit funds free of interest with the Bundesbank in return for short-term cash credits from the central bank. But once cash credits are banned, those deposits will no longer be mandatory. As a result, authorities will be able to invest their money more lucratively elsewhere, removing the pool of public funds hitherto available for Paragraph 17 operations.

These changes pose two challenges to the German authorities. The government is given an opportunity to find a more lucrative home for its funds in short-term money market instruments or on accounts with government-affiliated credit institutions, such as Kredit für Wiederaufbau.

Meanwhile, the Bundesbank must find another flexible instrument for fine-tuning its money market operations. "A similarly fast and well-targetted arrow...is hard to find," noted Mr Hermann Remsperger, chief economist at BHF Bank in Frankfurt.

Mr Remsperger suggested the Bundesbank could intensify the use of other tools, such as currency swaps, "fast repos" (unscheduled tenders for funds against securities which have to be repurchased within a few days) or so-called "lightning repos", like fast repos but targetted at a handful of banks.

# Five abstain from ban on N-waste

By David Lascelles, Resources Editor

A COMPLETE ban on dumping radioactive waste at sea was voted for by 37 countries yesterday. Five further countries, including the UK, abstained from the vote, but they have 100 days to consider their position.

The vote extends the 1972 London Convention on dumping at sea, which already bans high and intermediate level radioactive waste, to include an indefinite ban on low level waste.

The vote was taken at the end of a week-long meeting held at the London headquarters of the United Nations International Maritime Organisation. Apart from the UK, the abstainers were France, Belgium, China and Russia.

The UK said scientific research showed controlled disposal of low and intermediate radioactive waste at sea might in certain cases be the best practicable option, and had negligible impact on the environment. However it stressed it had no immediate plans to dispose of radioactive waste at sea.

Russia recently admitted dumping radioactive waste and spent nuclear reactors in the Sea of Japan and the Arctic, provoking an angry response from Japan, South Korea and the US. It said this week it would be prepared to halt dumping at sea if it received foreign assistance.

# Libya oil industry slow to feel sanction impact

By Robert Corzine

IT will take at least six months before the latest United Nations sanctions imposed on Libya begin to seriously hamper the country's oil industry, according to western experts.

Libya yesterday denounced the sanctions, which were imposed by the Security Council on Thursday because of Tripoli's refusal to surrender two suspects in the 1988 bombing of a Pan Am airliner over Scotland.

The ban on new equipment as well as parts and spares for the country's oil transport, processing and export facilities is designed gradually to erode Libya's export capacity. One western oil company executive familiar with the Libyan industry said the sanctions "were unlikely to be the straw that breaks the camel's back." But they will close loopholes left over from earlier trade restrictions, he said.

The main impact could be felt first in Libya's refineries, where fires and machinery breakdowns are relatively common especially in older facilities. The refinery boilers, furnaces, fractionation columns, pumps, catalytic reactors, and prepared catalysts which are covered by the ban can easily be bought on international markets, although the Libyans "might have to pay two or three times the going rate" for the items, according to the executive.

The ban on air transport to Libya means any urgently-needed spare parts that are acquired will have to be shipped or moved overland from neighbouring countries.

The sanctions on equipment such as loading buoys and single point moorings for crude export terminals and flexible and floating loading hoses will reduce Libya's ability to repair any damage to maritime export facilities which commonly during the winter storm season in the Mediterranean.

Oil industry analysts do not expect any sudden fall-off in Libya exports, which last month amounted to 1.37m barrels a day. The latest sanctions leave untouched the country's hydrocarbon export revenues, which amounted to $9.5bn last year – some 95 per cent of its hard currency earnings. And there is little evidence that European countries such as Italy, Spain and Germany which buy the high-quality, light crude oil from Libya would agree to a full oil embargo.

The sanctions are also unlikely to have any short-term impact on over a dozen international oil companies with production or exploration operations in Libya.

## NEWS IN BRIEF

# BAe says Taiwan joint venture has not been cancelled

BRITISH Aerospace yesterday denied a Chinese language newspaper report in Taipei that a proposed joint venture with Taiwan Aerospace Corporation (TAC) had been abandoned, writes Daniel Green.

The newspaper said that Mr Earle Hou, TAC's chairman, indicated that the deal to build BAe's regional jet aircraft in Taiwan had been cancelled.

Mr Hou also said that no progress had been made recently to bridge differences between the two sides: Taiwan wants to concentrate on a future model of aircraft, while BAe insists that agreement to assemble the current model be concluded first.

BAe said it expected no decision would be made until after Taiwanese regional elections scheduled for November 27.

## Kazakhstan dumps rouble

The former Soviet republic of Kazakhstan will dump the rouble on Monday, bringing in a new currency with full support from the International Monetary Fund, President Nursultan Nazarbayev said yesterday, Reuter reports from Alma Ata.

In an address to the Kazakh people, Mr Nazarbayev said Kazakhs could swap up to 100,000 roubles per person for new "tenge" banknotes at an initial rate of 500 roubles per tenge.

Kazakhstan currently uses old rouble banknotes dating from the Soviet era and emblazoned with pictures of Soviet state founder Vladimir Lenin.

## Tunisia ends Israeli ban

Israel yesterday received some of its first concrete political and economic dividends from its peace accord with Palestinians as Zimbabwe said it was establishing full diplomatic relations with the Jewish state and Tunisia ended the ban on Israeli tourists, writes Julian Ozanne in Jerusalem.

Both moves, part of a gradual easing of Israel's isolation by Arab and third world countries, will help win popular support in Israel for the peace process.

Under the Israeli-Tunisian tourism agreement Neot Hakikar, an Israeli tourism company, will take its first two groups of Israeli tourists to Tunisia next month after special approval was given by the Tunisian president.

Israel's army said five members of Mr Yassir Arafat's Fatah faction of the Palestine Liberation Organisation had been involved in the recent killing of a Jewish settler.

## Guatemala suspends vote

Guatemala's Constitutional Court temporarily suspended a plebiscite called for November 28 by President Ramiro de Leon to force the resignation of congress members and supreme court magistrates, writes Edward Orlebar in Guatemala City. The court was concerned about the constitutional implications of the plebiscite and gave the protagonists 15 days to make their case.

## Dutch counterfeit haul

Dutch police said on Friday they had seized $10m in high quality forged dollar bills from a warehouse near Edam in the northern Netherlands, Reuters reports from Amsterdam.

Police said they had arrested six people after acting on a tip-off and finding hundreds of fake $100 bills packed inside sports bags.

Paper and ink of exceptional quality had been used to make the bills, they said. Printing equipment and a large amount of special ink were also found in the warehouse.

## Haiti petrol warning

A lawyer for Haiti's petrol distributors said yesterday his clients would use force if necessary to secure the release of fuel reserves frozen under a UN embargo, Reuters reports from Port au Prince.

Shell Co (WI) Ltd and Exxon Corp said they would not comply with orders from a military-backed court to distribute gasoline reserves because that would violate a UN oil embargo imposed on Haiti three weeks ago.

# Washington drops charges against Gallo

By George Graham in Washington

THE US government has dropped its charges of unethical conduct against Dr Robert Gallo, the Aids researcher who is credited with co-discovering the human immuno-deficiency virus with France's Institut Pasteur.

Doubts over who discovered what and when have clouded the question of who should receive both the glory and the profits from the discovery of HIV and the development of a test to detect it.

The Office of Research Integrity in the US Public Health Services yesterday announced that it was dropping charges that Dr Gallo had failed to give proper credit both to Institut Pasteur and to other US scientists.

Dr Lyle Bivens, the office's director, repeated the substance of the allegations against Dr Gallo but said that he was withdrawing the charges.

He said that this was because a ruling last week by an appeals board of the Department of Health and Human Services on a case brought against one of Dr Gallo's associates had "established a new definition of scientific misconduct."

The office had originally found Dr Gallo and his associate guilty of scientific misconduct in a report issued a year ago.

No-one questions that Dr Gallo and his team at the National Institutes of Health near Washington made a significant contribution to knowledge about HIV, and was the first to prove that it was the cause of Aids.

But Dr Gallo has acknowledged that the virus on which he based his HIV test was in fact based on a sample sent to him by Professor Luc Montagnier's team at the Institut Pasteur.

Yesterday's announcement leaves unclear the fate of the 1987 agreement in which the French and US governments agreed to share the proceeds of the HIV blood test, which are estimated to have exceeded $50m (£34m).

While negotiations have never really re-opened, France has raised questions about the equity of an agreement reached on the basis of misleading information.

A number of other investigations of Dr Gallo's conduct, both by district attorneys in Maryland and Washington, by the Department of Health and Human Services and by Congressman John Dingell, are still under way.

# Magistrates accuse Corleone clan

SICILIAN magistrates said yesterday that bosses of the Mafia's Corleone clan killed anti-Mafia judge Giovanni Falcone, his wife and three bodyguards in May 1992, Reuter reports from Rome.

After sophisticated detective work, including DNA testing of saliva found on discarded cigarette butts, they issued 18 arrest warrants for the car bombing which outraged Italy.

"We are now in the position to identify each person and his role," judge Giovanni Tinebra of Caltanissetta, who led the inquiry, said.

Mr Falcone, a popular anti-Mafia crusader, was killed by a bomb as he was being driven into the city of Palermo from the airport.

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# China wary of economic 'hard landing'

By Tony Walker in Beijing

CHINA'S main task in its latest efforts to bring an overheating economy under control was to avoid a "hard landing," a senior Chinese official said yesterday.

Mr Lou Jiwei, director of the macro-economic department of the Commission for Restructuring the Economy, said the government was involved in the difficult task of trying to ensure continued economic growth while maintaining the anti-inflation fight.

"In a market economy, it is quite normal for a government to adopt austerity measures. But here whenever we talk about austerity and control people get nervous," said Mr Lou. "People only want to hear about expansion."

His remarks coincided with a meeting in Beijing of the Central Committee of the Communist party, China's top policy-making body. The party plenum is approving reforms in banking, finance, tax, trade and enterprise management.

Tax reforms will cover personal and corporate income, and also lay down a new formula for revenue-sharing between the centre and the provinces.

Mr Lou, who is a close adviser to Mr Zhu Rongji, senior vice-premier in charge of the economy, provided some revealing insights into the difficulties associated with efforts to manage the Chinese economy through a difficult phase.

He spoke of "huge pressures" from the provinces over a credit squeeze imposed in mid-year that was aimed at taking the steam out of speculative areas such as real estate, and at imposing stricter financial discipline on state enterprises.

Among other points made by Mr Lou were.

- China had cut M1 money supply growth to an annualised 18.6 per cent in October, down from 41 per cent in April and May. He indicated that the central authorities may have "overdone" efforts to curb monetary growth, by getting it below 20 per cent so abruptly.
- The inflation target at the end of first quarter next year was 10 per cent for the whole country compared with 14.5 per cent for the twelve months to September. Price rises in the main urban centres exceeded 20 per cent in September.
- Economic reforms next year would concentrate on the "micro" aspects of the economy such as banking, finance, and taxation.

Mr Lou said the authorities would approach enterprise reform cautiously. Efforts would be devoted to "transforming" the management of state industries, many of which were loss-making. "We can't fight on too many fronts at once," he said in reference to pressures on the reformists from left and right.

The Chinese official said that for the time being commercial banks would be obliged to carry the burden of providing credit to faltering state industries, but "one day we will need debt-restructuring for enterprises and banks." He said it was fortunate that the Chinese maintained one of the highest savings rates in the world.

# HK accord sought on less contentious issues

By Simon Holberton in Hong Kong

A SENIOR Chinese official for Hong Kong welcomed a suggestion to solve less contentious elements first in the Sino-British talks over Hong Kong before continuing discussion on difficult issues.

Mr Wang Qiren, deputy-director of Beijing's Hong Kong and Macao Affairs Office, was quoted in the pro-communist Ta Kung Pao as saying that a settlement of the less difficult issues first was a "good method" for moving forward.

However, he referred only to the 1994 local government elections, and not the 1995 polls for the Legislative Council (LegCo) which makes the law in Hong Kong.

Earlier this week Mr Douglas Hurd, the British foreign secretary, indicated that more time for talks might be available if Beijing agreed to a reduction in the voting age to 18 years; to abolishing appointed seats for local government polls due next year; and to single member constituencies for 20 of LegCo's 60-seats in elections due in 1995.

This was the substance of an offer put to Britain more than a week ago in Beijing.

The UK government expects Beijing to table the offer formally next Friday when the sixteenth round of Anglo-Chinese talks on Hong Kong begins.

Hong Kong government officials said that without agreement on these issues Mr Patten feels he will have no alternative but to present his entire package of proposals to LegCo.

Any agreement would allow negotiations about the difficult issues involved in the 1995 elections to proceed for a few weeks more.

London and Beijing, however, still remain deeply divided over the method of voting in the so-called "functional constituencies," which represent the business and professional class in Hong Kong, and the principle that members of an election committee, which will elect 10 members to the 1995 LegCo, should themselves be elected.

# Taiwan in a quandary on air hijackers

By Tony Walker in Beijing

IT WAS the third hijacking in a week, and the seventh this year of a Chinese airliner to Taiwan.

When an MD-82 Northern China airlines jet was hijacked to Taipei yesterday with 82 passenger on board it underlined yet again problems of lax security and safety standards on Chinese aircraft.

The epidemic of hijackings is not only causing huge embarrassment to the Chinese aviation authorities, it is also threatening fragile co-operation on a range of issues across the Taiwan strait.

Mr Jason Hu, the Taiwan government spokesman, expressed the hope after an aircraft was hijacked on November 5, that "Beijing will take effective steps to prevent a recurrence of such incidents." Seven days and two hijackings later, Mr Hu's remarks appear like so much crying in an aircraft's slipstream. Chinese official undertakings to combat air piracy have come to little.

This latest rash of hijackings coincided with talks on the island of Xiamen between Chinese and Taiwanese representatives on ways to deal with air piracy and other criminal activities.

Among the most contentious issues is Beijing's demand that Taiwan return the hijackers to stand trial. Taipei is insisting on prosecuting the air pirates itself until an accord can be worked out with China to facilitate their return.

Mr Ma Ying-jeou, Taiwan's justice minister, said last week that Taiwan would "stick with precedent" for the time being. "That means the hijackers will be prosecuted here," he said.

In recent cases tried in Taiwan, hijackers received sentences of 10 years, much less severe than those likely on the mainland where hijacking is punishable by death.

The official English-language China Daily commented recently that Taiwan's refusal to return hijackers merely encouraged hijackings. "Such leniency towards criminals is, for all intents and purposes, tantamount to encouraging air piracy," the paper said.

And so the pattern continues. An aircraft is hijacked to Taiwan; the offenders surrender without fuss on arrival in Taiwan. The hijackers, on their arrest, exhibit little remorse at the prospect of cooling their heels in a Taiwan jail.

"For us ordinary folk living on the mainland who want to come to Taiwan, we can't think of any methods other than hijacking," said Wang Jihua, a factory worker who hijacked an aeroplane to Taiwan earlier this week.

**Taiwan's Premier Lien Chan, yesterday called for a review of the policy of prosecuting hijackers on the island rather than repatriating them to China, Dennis Engbarth reports from Taipei. Mr Jason Hu, director of the government information office, said Mr Lien had also ordered "the transport ministry and other concerned agencies to review the significance of the latest hijacking incidents, including China's possible motives."**

**Military specialists inspected the aircraft for intelligence-gathering equipment amid concern that hijackings may be being used by Beijing to gather military intelligence.**

# ANC to dominate country's top court

By Patti Waldmeir in Johannesburg

South Africa's proposed constitutional court, the main institution charged with protecting the country's fledgling democracy, is likely to be dominated by political appointees chosen by the African National Congress.

According to joint proposals from the ANC and the ruling National Party, to be incorporated in the new constitution to be finalised early next week, the new President (likely to be from the ANC) will effectively control the appointments of all 11 Constitutional Court members. He must consult the multi-party cabinet before deciding, but no other party is likely to be able to muster sufficient support to overrule him.

The liberal Democratic Party last night condemned the proposal, saying it jeopardised the independence of the judiciary and "could result in the most important court in South Africa being politicised, centralised and hand-picked by a new government."

The proposal is especially important because the court will play a big role in determining the nature of the new South African government. Given the large number of vague compromises in the draft constitution, the court will have considerable powers of interpretation.

The proposal comes at the end of a week in which the National Party has made numerous concessions to the ANC on issues such as the country's official language as well as the powers of regional governments in policing.

Unable to decide on one national language, the ANC/NP opted to have 11 official languages. This is likely to mean English will be the de facto official language.

The National Party has undermined its claim to have negotiated a federal constitution by agreeing that South Africa should have one national police force rather than regional forces as demanded by regionally-based parties.

# Japanese bow to business on environment

By Emiko Terazono in Tokyo

THE JAPANESE parliament yesterday bowed to pressure from ministries representing powerful business interests and passed a law of ambiguous ideas rather than concrete controls to conserve the environment.

The environmental protection bill, consisting of 46 articles, failed to include a controversial environment tax or legislation on environmental assessment standards.

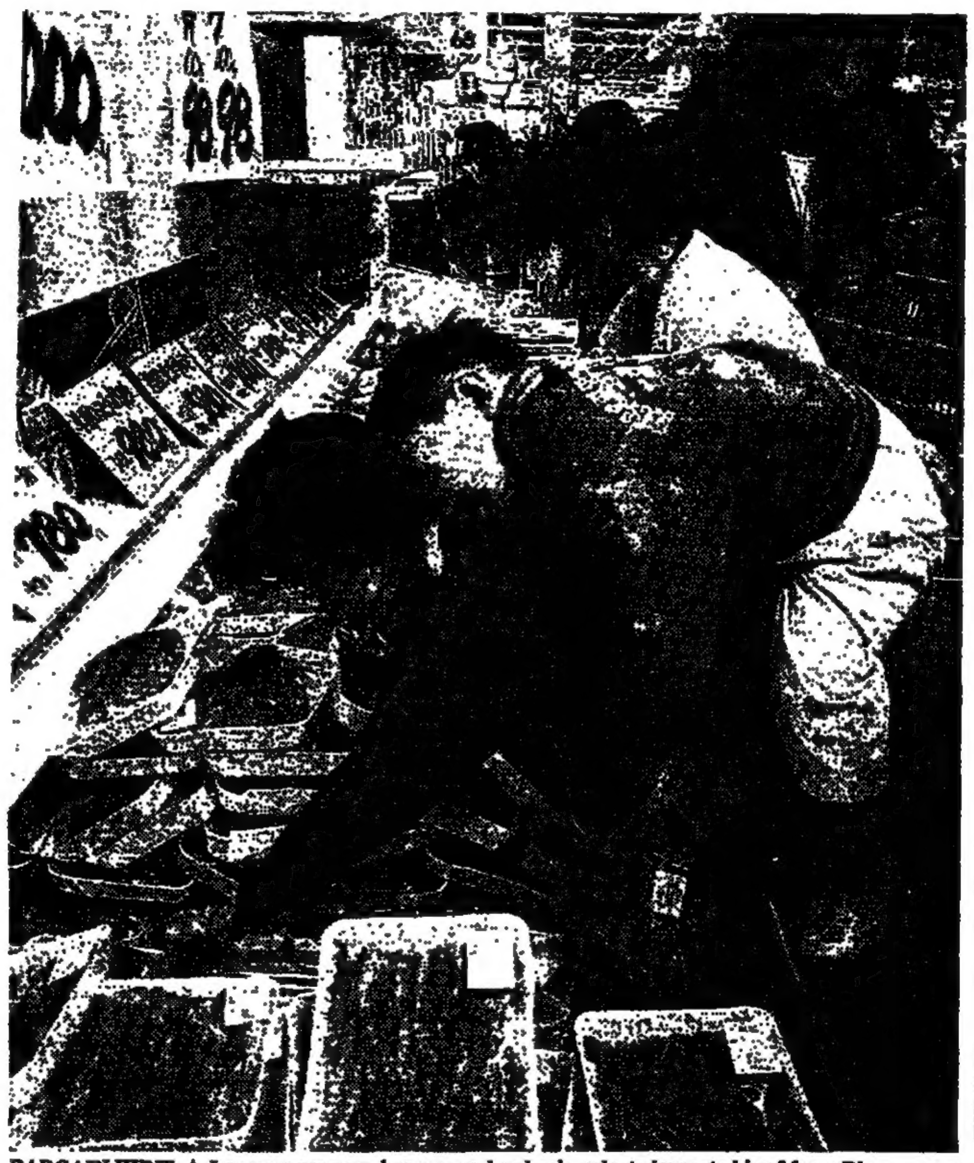
Instead, it contained clauses calling for the creation of a society which could "develop while maintaining a healthy environment," and "conserve the global environment through international cooperation."

The country's environmental agency had hoped to implement a tax to limit carbon dioxide emissions and to make it obligatory for industrial projects to have environmental assessments. Last year, an advisory group for the agency proposed imposing a carbon tax on consumption of petroleum, natural gas and coal, to control carbon dioxide emissions and to secure a source of revenue to promote the use of solar energy and energy saving technology.

This was met by fierce opposition from the ministry of international trade and industry (Miti), and the transport and construction ministries, whose views reflected the views of many top Japanese companies. Many have publicly embraced environmental themes with enthusiasm, but their strong opposition to policies limiting domestic growth has hampered change and Tokyo's role in the international debate on environmental issues.

Advisory panels to Miti last year reported that a carbon tax would do more harm than good, triggering an "international migration of industry." The construction ministry fears an environmental assessment system, would hamper new projects.

The bill passed yesterday, contains a watered down version of the intended measures by the environmental agency. It calls on a "business to assess the environmental impact of a project and take proper consideration to conserve the environment," and also states that the government should "make efforts to obtain the understanding and co-operation of the people" when it sees the necessity of an environment tax.



BARGAIN HUNT: A Japanese woman, her son on her back, selects imported beef from Rism, a new supermarket at Iruma, north of Tokyo yesterday. Some 70% of the goods at the outlet, said to be the first of its kind in Japan, are imported, some at half the price of domestic produce *Associated Press*

# Coalition pressures LDP over reforms

By William Dawkins in Tokyo

JAPAN'S ruling coalition yesterday stepped up pressure on the opposition Liberal Democratic Party to compromise by next week on plans to reform the scandal-ridden political system.

The government will close committee negotiations with the LDP on Monday and commence a wrap-up debate in parliament. This is the constitutional prelude to voting on proposals for the biggest political change since the second world war, or reaching a firm accord to revise them.

Mr Morihiro Hosokawa, the prime minister, has proposed a meeting this weekend with Mr Yohei Kono, the LDP's president, to seek an agreement. By last night the LDP had not agreed a time for the meeting.

**Mr Hosokawa is eager for progress in time for his meeting with President Bill Clinton next week**

The wrap-up debate, condemned by the LDP as an attempt to steamroller negotiations, is no surprise, since it is the natural next step from public hearings on the reform plans, which ended on Thursday. However, it shows that the government wants to re-establish control over the schedule, delayed by the LDP, said political analysts.

Mr Hosokawa is eager to make progress on reform by the time he meets US President Bill Clinton at the Asian Pacific Economic Co-operation summit in Seattle at the end of next week.

The Japanese leader has indicated he will resign if the plans do not pass parliament by the end of the year. However, forced votes are rare in the Japanese parliament, which traditionally makes outline agreements on legislation at the committee stage.

The government's four political reform bills propose a switch from the present system of multi-seat constituencies for the lower house, to a mixture of single seat constituencies and proportional representation. Company donations to individual politicians would be banned, to be replaced by a state subsidy for political parties.

The differences between the coalition and the LDP are over the numerical split between seats chosen by constituency and proportional representation vote. Each side prefers the split most likely to benefit it in an election.

# Boeing secures £1bn Gulf order

By Paul Betts, Aerospace Correspondent

BOEING has won a \$1.6bn (£1bn) order from Gulf Air, the flag carrier of Abu Dhabi, Bahrain, Oman and Qatar, for up to 12 of its new 777 wide-body airliners.

The deal, involving six firm orders and options for an additional six, is a blow for the European Airbus consortium which in recent years has won about 70 per cent of new aircraft orders in the Middle East.

But Boeing has been stepping up its marketing efforts in the region and is aiming to take about 65 per cent of the Middle East airliner market during the next ten years, says Seddick Belyamani, head of Boeing sales in the region.

Boeing said it had now won about 70 per cent of all new orders in the world market for new wide-body jets since it launched its big twin engine 777 programme three years ago, competing against the Airbus A330 and A340 and the McDonnell Douglas MD11.

Airbus had already sold six four-engine long-range A340 airliners to Gulf Air and had been hoping to sell more of its wide-body aircraft.

Emirates, the Dubai-based carrier and Gulf Air's biggest regional competitor, has also opted for the 777 with firm orders for seven aircraft and options for another seven.

The Gulf Air deal brings the total 777 firm orders to 136 aircraft with additional options on 100 aircraft.

Gulf Air has chosen the new US General Electric GE90 heavy thrust engines to power its 777s. This is the engine also selected by British Airways for its fleet of 777s. The GE90 competes against the Rolls-Royce Trent, which will power Emirates 777s, and the US Pratt & Whitney PW4000.

For Boeing, the Gulf deal is important. The airliner market remains depressed, forcing manufacturers to cut back on production at the same time as maintaining heavy development spending on new programmes.

# EU, S Korea in chemicals accord

By John Burton in Seoul

THE European Union and South Korea yesterday concluded talks on intellectual property rights covering EU pharmaceutical and agricultural chemicals.

The agreement was announced after the annual EU-Korean ministerial meeting held between Sir Leon Brittan, Europe's chief trade negotiator, and Mr Han Sung-joo, the South Korean foreign minister, in Seoul.

The EU and Korea have been negotiating during the last two years on retroactive product protection of EU pharmaceutical and agricultural chemicals based on a 1991 framework agreement.

Sir Leon also asked South Korea to open its rice market as part of the Uruguay round of the General Agreement on Tariffs and Trade – something Seoul has persistently refused to do demanding an exception to the all-tariffication rule.

Korea can not be granted an exception because it would threaten "to unravel" other agreements already reached during the Gatt talks, Sir Leon said.

He also complained about discriminatory tariffs on imported European cars and official harassment of buyers.

"The purchase of a foreign car should not be regarded as an unpatriotic act and one that will draw the attention of the tax authorities," he said.

# Peace could double tourism to Israel next year

By Julian Ozanne in Jerusalem

THE BENEFITS of peace on the Israeli economy will far surpass any negative impact, according to the first report on implications of peace carried out by Bank Hapoalim, Israel's largest banking group.

Israel will gain from increased tourism, which accounts for a quarter of all foreign currency revenues from service exports and earned Israel \$1.8bn (£1.22bn) last year. It is expected to expand dramatically with a doubling of the number of visitors forecast for next year.

The main negative impact will be the threat to Israel's textile, poultry and vegetable sectors from cheap imports from the Palestinian entity.

The Bank is more optimistic than many Israeli economists about the impact on Israeli-Arab trade after the lifting of the Arab boycott. The combined GDP of 13 out of 15 Middle Eastern countries is only \$280bn, but "the economic potential of these countries is far too great to ignore."

Direct trade will grow slowly but a specific dividend will be the import of cheap oil and gas from Arab states directly, lowering Israel's energy costs.

The removal of the secondary and tertiary Arab boycott, which places sanctions against companies that do business with Israel and companies that deal with companies that trade with Israel will be more significant and yield results more quickly.

The report says Israeli fears that the opening of Israel to free imports from the occupied territories will flood the Israeli market with cheap goods and hurt employment are "exaggerated" because of the small size of the Palestinian economy. But it says that agriculture, especially poultry and eggs, will be affected by the reduction of Israeli controls, although those sub-sectors are already subject to smuggling into Israel.

However the Bank also says Israel will benefit by the influx of \$2bn of aid into the Palestinian economy over the next five years as Palestinians turn to Israel for consulting services, raw materials, technology and use of Israel's financial system.

Joint ventures could provide an additional growth path.

The report predicts that the Palestinian economy will have a growth rate in double digits for the next five years and could double its current GDP of \$2.5-3bn in six or seven years.

The bank says, however, that the peace dividend is unlikely to lead to significant cuts in defence expenditure, currently 11 per cent of gross domestic product. It says the main military threat to Israel – Iran and Iraq – will continue to pose a challenge to the Jewish state.

# Unlucky or unwise?

## Michael Skapinker and John Ridding unravel the troubles at Euro Disney

IS EURO Disney going to ground Dumbo the Flying Elephant, lock the door to Sleeping Beauty's Castle and abandon its theme park to rodents less cuddly than its current presiding mouse?

The closure of Euro Disney looks unlikely, despite the announcement this week of a net loss of FFr5.3bn (£600m) for the year to September 30.

Too much money and prestige have been invested in the theme park for it to close. The embarrassment to the French state would be enormous. Bringing Euro Disney to its site east of Paris, rather than to Barcelona or London's Docklands, was an all-party achievement.

The planning and building of Euro Disney spanned the periods in office of one Conservative prime minister, Mr Jacques Chirac, and three Socialists – Mr Laurent Fabius, Mr Michel Rocard and Mrs Edith Cresson.

The employment consequences of closure would be severe, adding 10,000 jobless to the 3.2m already unemployed in France.

The embarrassment would be no less severe for Walt Disney, which has a 49 per cent stake in the park. It was the strength of Disney's management and marketing reputation which convinced many investors and lenders that the park could not fail. US followers of the company flicked aside any European doubts.

The moment Euro Disney's gates opened, its boosters said, visitors would be overwhelmed by the professionalism and artistry of it all. Europeans would flock to the park; its share price would soar. Says one analyst: "I wonder what they were all on. I'd like to smoke some."

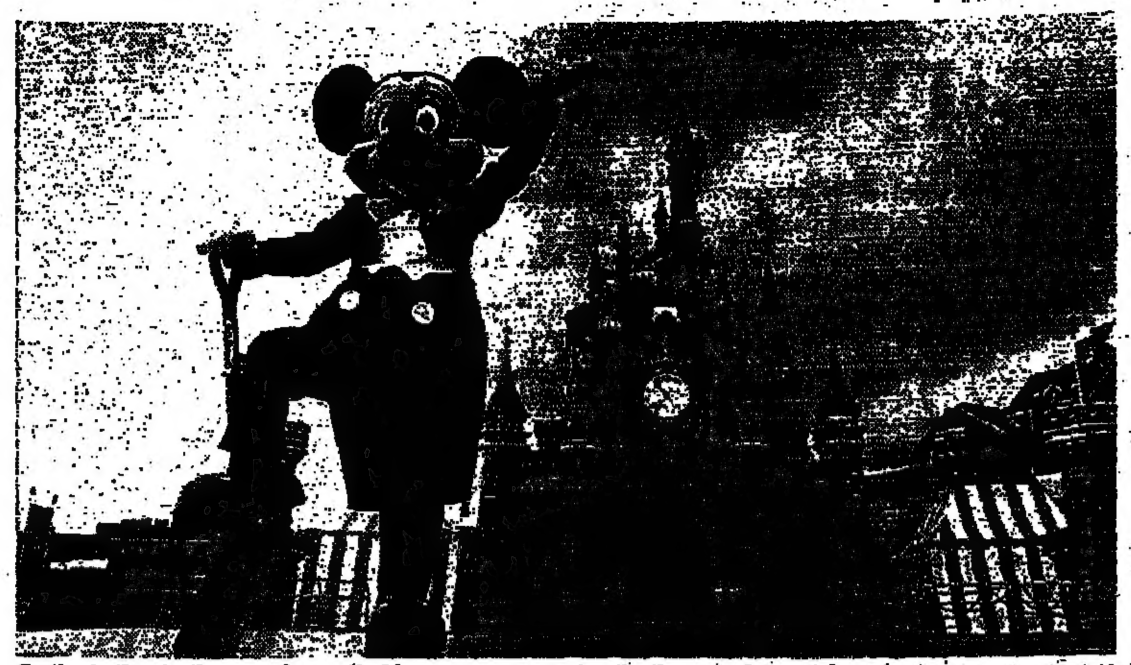
Nor would closure solve the problems of the French banks and financial institutions, including the Caisse des Depots, the state investment arm, which are owed the bulk of Euro Disney's FFr21bn debt. If the park were to close, they would lose it all; there would be few buyers for six hotels 32km east of Paris.

A fairground operator might like to run some of the rides for day trippers from the capital, but they would be unlikely to generate the cash to provide the banks with any reasonable return. Ripping the rides off their moorings and selling them to operators elsewhere would not make much of a dent in the debt either.

Receivership is also difficult to envisage. The receivers would have to find an operator to run the park. There is probably only one company with the expertise to run an amusement park the size of Euro Disney: Walt Disney. Disney would have to be paid to run the park, of course, which shareholders and creditors might find difficult to take.

Despite the depth of the park's financial crisis, Euro Disney, its creditors and France appear to be stuck with one another.

Euro Disney and its creditors will attempt to construct a financial restructuring between now and next spring. Analysts expect the period to be marked by brinkmanship. Walt Disney has already issued a veiled threat that it will refuse to provide any more money. It said this week that it had "agreed to help fund Euro Disney for a limited period." The banks might start speculating about receivership.



Castles in the air: there are few realisable assets underpinning the theme park's vast debt Lydie van der Meer

In the end, analysts expect an agreement to be struck. It might involve a rights issue, a debt for equity swap or further investment by Walt Disney.

Whatever the outcome, all sides will be stuck with the question of what they do next. Euro Disney's management has already taken some steps to improve the park's attractiveness to visitors. Last month it said it was cutting its winter hotel prices. As from January, a family of four will be able to stay in the Santa Fe, the cheapest hotel, for FFr300 rather than FFr375. Earlier this year, the company said it would cut winter admission prices by 30 per cent.

Euro Disney frequently points out how unlucky it has been since it opened in April last year. Europe has been blighted by recession; the French franc has been strong, deterring visitors from the UK and Italy. If the recession has been the full cause of Euro Disney's problems, the financial restructuring only has to carry the park forward to more clement economic times.

Only when Europeans begin spending freely again, will investors learn the answer to a more uncomfortable question: was the whole idea misconceived? Will Euro Disney fail to recover even when other European companies do?

There were some who argued before the opening that the park was a mistake. They focused on culture and the weather. The park does feel as if it is in the wrong place. Why build a fake castle on a continent full of real castles? Where is the thrill in a simulated flight over Big Ben when millions of package tourists routinely fly in and out of London? Why, in short, bring a theme park to a continent which is already a theme park?

Consumers do not have to share French intellectuals' objection to US culture to avoid Euro Disney. They merely have to feel they would prefer the real thing - at the Disney park in Florida. Florida does appear to be violent, but its theme park is no more expensive per night than Euro Disney and the sun shines.

The problem is not that visitors are put off Euro Disney by the Parisian weather; many of the attractions are covered. The difficulty is that they do not see Euro Disney as the place to take their annual holiday, given the sunny alternatives. Too many visitors are day-trippers. Hotel occupancy averages only 55 per cent.

It might have been a good idea for Disney to build the park without hotels, or with fewer hotels. Its ambitions were bigger than that; those who were convinced by them might be living with the consequences for many years to come.

### SHARE PRICE PLUNGE INVESTIGATED

France's stock market watchdog, the Commission des operations de bourse, said yesterday it was examining the way Euro Disney released its results this week and the movement in the leisure group's share price, writes John Ridding in Paris. Euro Disney's shares have fallen by more than 25 per cent on the Paris and London stock markets following Wednesday's announcement of first year results showing a net loss of FFr5.3bn, largely the result of exceptional charges.

The COB said the investigation was a routine procedure in cases of large share price movements and announcements concerning large losses or acquisition bids. It did not imply criticism of the company and was not to be confused with the opening of a formal inquiry. The size of Euro Disney's exceptional losses, which totalled FFr3.6bn, took the market by surprise and increased the urgency of a capital restructuring at the group.

Yesterday, the share price fell sharply in Paris, closing down FFr5.5 at FFr32.5. In London, where it suffered a steep decline on Thursday, when the Paris market was closed, the company's shares rose 2p to 370p.

# Hunger to worsen in Africa, says FAO

By John Madeley

WORLD agricultural production will increase more slowly in the next 20 years but will continue to outpace population growth, the United Nations Food and Agriculture Organisation says in a study released today.

Output is expected to rise by 1.8 per cent a year compared with 2.3 per cent a year in the last two decades. Population growth is likely to slow from 1.9 per cent now to 1.4 per cent a year.

The study, Agriculture: towards 2010, predicts that by that year food available to people in Asia, the Near East, North Africa, Latin America and the Caribbean will increase from 2,500 calories a head a day today "to at or above the 3000 calorie mark". This is only marginally below calorie levels in industrialised countries.

South Asia is also expected to make progress, with the percentage of chronically undernourished people halving to about 12 per cent.

But little progress can be expected in sub-Saharan Africa, warns the study. By 2010, Africa may have 300m undernourished people, 32 per cent of the population, against 180m today.

"The scourge of chronic under-nutrition, in terms of absolute numbers affected, will tend to shift from south Asia to sub-Saharan Africa," it says.

Worldwide, about 650m people are likely to be undernourished in 2010, the report predicts, against 800m today.

It recommends that industrialised countries should transfer their agricultural technologies and management practices to developing countries in ways "that do not discourage mixed cropping, small farmer practices, and ways that do not lead to the dominance of mineral fertiliser and pesticides."

Cultivated land in developing countries is expected to grow from 705m hectares today to 850m hectares by 2010, and this could increase pressure on tropical forests.

# Puerto Rico split on union with US

By James Canute in San Juan, Puerto Rico

PUERTO RICANS go to the polls tomorrow to decide whether to remain a possession of the United States, become the 51st state of the union, or become independent.

After a campaign dominated by a debate about the economic merits of independence or union, polls this week indicated little support for independence in this Caribbean island of 3.7m people.

Support is evenly divided for the other two options – retaining the current "commonwealth" relationship with the US or becoming a fully fledged state of the union.

However, the decision will be only a first step, since the result will not be binding on the US Congress and legislators in Washington will have to approve or reject any change in the island's status.

President Bill Clinton has said he will accept any decision made by Puerto Ricans, but congressmen are unlikely to welcome the prospect of a new, poor, mainly Spanish speaking state.

The island is officially described as having a "freely associated" relationship with the US. Puerto Ricans are US citizens, but cannot vote for a president. The island has a commissioner in Washington who has no vote to influence legislation.

But Puerto Rico's "commonwealth" status has allowed the island a significant economic advantage under section 936 of the US revenue code which has encouraged mainland companies with subsidiaries in Puerto Rico to deposit their profits, tax free, in local banks. The deposits have become a pillar of the Puerto Rican economy.

Puerto Rico's current political status has also given it federal welfare funds of about $4bn per year from Washington, and hundreds of millions more from rebates of federal excise taxes and duties.

A change to statehood is being supported by the incumbent New Progressive Party of Mr Pedro Rossello, the governor, while the opposition Popular Democratic Party wants to retain the current status.

# Chetniks accuse Milosevic

By Laura Silber in Belgrade

MR Vojislav Seselj, the ultranationalist leader and main rival to Serbian President Slobodan Milosevic, yesterday accused Mr Milosevic of getting rich from the wars in Croatia and Bosnia.

Mr Seselj said the Serbian president was behind hard currency swindles and, with other Belgrade officials, had amassed war booty from Bosnia.

Mr Seselj is an MP and commander of the Chetniks, a paramilitary unit accused of human rights atrocities.

His remarks coincided with the publication in Serbia for the first time since the eruption of war two and a half years ago, of eyewitness accounts of atrocities committed by the Chetniks in Bosnia and Croatia.

The accounts have fuelled speculation that Mr Milosevic, desperate to get UN sanctions lifted, may be prepared to change his mind and hand war criminals – possibly including the Chetniks – to an international war crimes tribunal.

The UN war crimes tribunal on former Yugoslavia is due to open on November 17 at The Hague.

Mr Seselj, accused Mr Milosevic of wanting to foment a civil war in Serbia in order to call a state of emergency and cancel the elections.

Vojska, the Yugoslav army magazine, accused the Chetniks of murder and rape. But diplomats said the charges may be aimed at the domestic arena to eliminate Mr Seselj's Radicals in the elections. Up to 40 members of his party have reportedly been arrested in the past two weeks.

# Major aims to broaden initiative

By Kevin Brown, Political Correspondent

MR JOHN MAJOR, the prime minister, will give fresh impetus to his "back to basics" campaign next week in a speech linking traditional social standards with economic success.

His determination to raise the profile of the campaign emerged after a series of meetings on law and order in London yesterday. The prime minister told community leaders in Ealing, west London, that he shared the widespread frustration about rising crime. He urged people to give more help to police efforts to catch criminals.

He said: "We need to encourage a greater sense of responsibility and a sense of self-discipline if we are to get down to tackling the roots of crime."

The main impetus of Mr Major's drive will come on Monday, when he plans to use his annual speech to the Lord Mayor's banquet in the City of London to stress that the initiative is "more than an exercise in nostalgia".

His central theme will be that voters strongly support the government's plans for a return to traditional values in areas such as law and order. He will argue that the campaign, launched at last month's Conservative party conference in Blackpool, is an integral part of the government's economic strategy.

Mr Major will argue, for example, that traditional values in education can play an increasingly important role in improving the skills base and competitiveness of industry.

He will also link the campaign firmly to traditional rightwing economic values such as support for sound public finances and low inflation.

Mr Major has told friends: "The way to make Britain great again in the future is by getting these things right now."

The government's commitment to the campaign was further underlined last night by a series of speeches by senior ministers stressing their belief in traditional values.

Mr Kenneth Clarke, the chancellor, told the Conservative Group for Europe that "the prime minister's back to basics message applies just as much to economics as it does to law and order and education".

The message was rammed home by several other leading Conservatives, including Sir Norman Fowler, the party chairman, Mr John Redwood, the Welsh secretary, Mr Malcolm Rifkind, the defence secretary, and Mr John Patten, the education secretary.

Labour launched a counter attack, suggesting that the debate over traditional values may move to the centre of debate when the parliamentary session starts next week.

# Ford no longer the pay-rise driver

## Wage bargaining at the motor manufacturer used to be copied throughout industry. Times have changed, says David Goodhart

THE FORD pay deal, sealed late on Thursday, is no longer the trendsetter for collective bargainers that it once was.

Ford has been rather more generous than most manufacturing companies over the past few years. However, one senior personnel manager yesterday said that the company still had "a psychological significance", partly because it was so widely written about.

Pessimists on pay inflation will say that the Ford deal – 2.5 per cent now followed by a rise of either 3.5 per cent or inflation next November, whichever is greatest – shows how deeply embedded inflationary habits are. Ford has been losing more than £1m a day since 1990 and faces another sharp fall in production because of weakness in the European market.

Given the widespread fear of unemployment, a pay rise comfortably above inflation this year and no less than inflation next might seem rather high. It follows a two-year deal which gave 5 per cent for two years running and has proved more generous than expected in relation to inflation.

Incomes Data Services, the independent pay analysts, has announced the decline and fall of the pay freeze and has been predicting a resurgence in pay for some time. The Ford deal suggests it may be right.

There are other signs. The monthly reports sent in by regional officials of the AEEU engineering union show a sharp increase in the number of pay offers going to strike ballots in some of the traditional parts of manufacturing.

Workers at Vauxhall's Ellesmere Port plant in Cheshire are expected to start an overtime ban from next week after rejecting a pay offer of 2.5 per cent this year and 3 per cent plus a 1 per cent lump sum payment next year.

There is also anecdotal evidence – from the building industry among others – that many companies have cut employment so far that they badly need to hang on to those people they have kept, which means granting higher pay rises than they want to.

However the optimists on pay have strong arguments too. Ford says that the deal is likely to be at worst neutral in terms of unit labour costs. It expects to improve productivity by at least 2.5 per cent a year over the next two years.

Mr Robbie Gilbert, head of employee relations at the Confederation of British Industry, broadly welcomed the deal and said that it was at about the average settlement level in manufacturing.

The Engineering Employers' Federation yesterday produced average settlement figures for August to October running slightly lower at 2.13 per cent. And unit labour costs in manufacturing remain negative although slightly down on the minus 4 per cent of May.

Mr Ian Thompson, the federation's chief economist, said: "We find no evidence at all of a pay resurgence at present.

"There is the expectation of higher inflation, but in many companies that is balanced by the pressure created by price cuts in their main product markets."

The CBI also continues to celebrate a broader reform of British pay bargaining. A paper on pay and employment for next week's CBI conference says that 74 per cent of employers use performance-related pay for at least some of their employees.

It also says collective bargaining now covers only 34 per cent of employees, that 59 per cent of the main pay decisions affecting manual employees are taken at plant level, and that – according to a Gallup poll – more than half of employees believe that pay and conditions should be bargained between the individual and their employer.

But the pessimists can point to the stubborn persistence of "pay drift" – bonuses, overtime and probably performance pay too – which means that average earnings are still rising at about 4 per cent a year although reported settlements are averaging only 2.5 per cent.

Earnings, in other words, continue to rise at about twice the level of inflation in spite of high unemployment.

Relatively generous pay rises – made to look historically low by the inflation rate – combined with continuing productivity improvements in manufacturing, is what most employers are seeking – and getting.

Many public-sector workers faced with a second year of squeeze will feel left out. Such an outcome is also not good for job creation, since employers are concentrating resources on keeping existing staff happy.

# Hope for power deal at Scots pit

SCOTTISHPOWER is understood to have reached an agreement with British Coal which will involve the privatised power company continuing to take coal from the Longannet deep mine in Fife after an existing agreement expires in 1995, James Buxton writes.

ScottishPower agreed in 1991 to take between 2m tonnes and 2.5m tonnes of coal a year from Longannet until March 31 1996. Earlier this year it said it wanted to negotiate a new agreement so that both sides could take a longer-term view of the future of coal supplies.

Yesterday Mr Eddy Hindmarsh, British Coal's head of operations, told union leaders at Longannet that prospects for maintaining high volume sales from the pit and from opencast sites looked promising. Negotiations with ScottishPower were at an advanced stage, he said.

ScottishPower is expected to reveal details of the agreement with British Coal on Tuesday.

## Yorkshire colliery to be closed

FRICKLEY colliery near Pontefract, West Yorkshire, is to be closed, British Coal confirmed yesterday, putting 740 miners out of work.

British Coal said up to 60 per cent of Frickley's output was being stockpiled because there was no market for the coal. The situation was unlikely to improve and production costs were among the highest of any British Coal pit.

The NUM miners union will today urge members to reject the closure.

## Euro move on seatbelt ruling

BRITAIN could after all legislate to make seatbelts compulsory in buses or coaches, the European Commission said yesterday, in an attempt to clear up confusion over European law on the issue in the wake of Wednesday's fatal M2 coach crash.

The commission said the UK could impose such obligations on British coach and bus operators. It would be illegal for operators to try to circumvent such a law by using only foreign-registered coaches.

## Pensions group lobbies chancellor

THE NATIONAL Association of Pension Funds has lobbied 200 MPs in an effort to head off threatened Budget changes to the taxation of pension funds.

Employee contributions to pensions are tax-deductible at present, and employees are entitled to a tax-free lump sum on retirement.

There has been speculation that the chancellor might attack some of these privileges. The association argues that taxing pension funds "would increase the cost to employers providing final salary schemes".

## National Savings bring in £435m

NATIONAL SAVINGS brought in a net £435m in October, up from £275m in September and £227m in August. Gross product sales were £879m and accrued interest was £182m. Repayments were £626m.

As in September, the highest contribution came from income bonds. National Savings introduced tiered rates for larger investments in August and gross sales of income bonds have now reached their highest level for 3¾ years. The total amount invested in National Savings at the end of October was £45.9bn.

## Strike threat

UNIONS representing more than 900 manual workers at Amec Offshore, the Tyneside fabrication company, have said that they will strike from Friday over planned costcutting terms and conditions for night-shift workers.

## Oil site to close

ACATOS & Hutcheson yesterday announced the closure of its edible oils refinery at Bootle in Merseyside by mid-1995, with the loss of 250 jobs. It said the 1960s factory could not be brought up to modern standards at a reasonable cost.

## Airline collapses

LAKESIDE NORTHWEST, the regional airline, went into receivership yesterday. It ran daily flights between Liverpool Airport and Carlisle, Aberdeen and London Stansted.

# Government rejects CBI currency call

By Roland Rudd

THE GOVERNMENT was on the defensive yesterday over its European policy after Mr Howard Davies, director general of the Confederation of British Industry, warned it not to close off the option of a single currency.

Mr John Major insisted that Britain was not "remotely ready" for a single currency. The prime minister added that he believed businessmen were "very much behind the government's approach".

In an interview with BBC Radio Mr Davies said: "What we are slightly concerned about is a feeling that the government is prepared to dismiss the prospect of a single currency in the longer run, or exchange-rate stability, which we think are, in the long-term, of interest to the business community."

The CBI fears the government is closing off its long-term options in Europe. A survey of business leaders, to be published tomorrow, shows many in business in favour of a single currency.

Mr Michael Heseltine, trade and industry secretary, appeared to distance himself from some anti-European remarks by some colleagues at last month's Tory Party conference. He said: "We have taken historic decisions to move to a single market. That process is bound to create difficulties and short-term controversies."

# Nissan's strategy shies away from the R-word

## Richard Donkin and Chris Tighe find the union sceptical of the 'no-tears' deal

NISSAN'S PLAN to reduce staffing at its Sunderland plant was presented yesterday as a "no-tears" severance package and a triumph for industrial relations.

But seasoned union officials greeted it as a traditional job-shedding announcement in face of a fall in demand. Mr Harry Morgan, regional officer for the AEEU engineering union, said: "It's a new company with new ideas, rapidly learning they aren't all that different when it comes down to basics like job losses."

Faced with falling demand across Europe Nissan had reduced line speeds and redeployed 200 production-line workers. This week it closed its night shift to halve production, a measure that will last until the end of February.

Yesterday it said it had decided to use its employee consultation machinery rather than to impose a job-shedding plan from above.

Last month Mr Peter Wickens, Nissan's personnel director, asked the 10 employee representatives on the company council if they would take soundings from the 4,600 employees – of which 2,400 are on the manufacturing floor.

He said: "We told them we have no monopoly of wisdom, 'we are prepared to listen to anything you and your constituents have to say about the handling of the situation'. It was asking one hell of a lot of the elected representatives. I wasn't aware of any company that had done this before."

The hard fact facing the employees was a reduction in volumes from the 270,000 cars originally planned for 1993 – reduced to 246,000 in late September – to between 200,000 and 240,000 in 1994.

Mr Kevin Reah, a manufacturing staff representative on the council, said the consensus among the workforce was to return to the day and night shift pattern that had existed since 1987 as soon as possible.

Employees, he said, wanted to protect their earnings but did not want to sacrifice job security by accepting conventional redundancy, in which the company would have fixed targets for shedding labour.

"It was important to everybody that there should be no compulsion on anyone to leave. When I joined the company I genuinely believed I was joining the company for life," he said.

But the employees decided that some kind of severance deal might be desirable. Mr Pat Quinn, production supervisor and a member of the company council, said: "We asked if a way could be found to allow people to leave the company who wished to leave it."

The management's formula presented to the employees yesterday was that the company should attempt to move to a five-day/three-night shift pattern by the beginning of March and that all employees be offered six months' salary – in most cases between £7,000 and £7,500 – to apply for what Nissan terms "a discretionary separation payment". Because there are no job-shedding targets, the company has had to include flexible arrangements for returning to the full shift pattern.

Nissan retains the right to turn down applications to leave so that a suitable balance of skills can be maintained.

The Inland Revenue has agreed to treat the deal as a tax-free payment under its rules for redundancies although Nissan itself refuses to use what Mr Wickens calls the "R-word".

Union officials pointed out, however, that the stark fact remained that a Japanese company was shedding jobs.

"A rose is known by many names but it's still just a bloody flower," said Mr Tom O'Neill, AEEU divisional organiser.

He queried Nissan's suggestion that the deal was a "milestone". "If you don't accept what the works council have discussed, what's the alternative? The alternative is two-day working." He said the union had not been involved in negotiations. He suggested that it could have been useful to the works council, whose members lacked experience. "Short-time working, redundancy and complete closures – we're virtuosos at it. You achieve it through experience, not overnight."

Nissan said it was too early to gauge the uptake, but the average age of the manufacturing workforce was about 26 and it believed some might welcome the opportunity to change career.

Worker representatives said working practices and training programmes at Nissan meant ex-employees were often sought after by other local manufacturers.

But the success of the plan may hinge on whether workers who take the severance terms qualify for benefit. Mr O'Neill doubted that they would.

Ted [illegible]

Nissan told its workers that it had "no monopoly on wisdom"

# Industry leads improvement in trade

By Peter Marsh, Economics Correspondent

THE VALUE of exports hit a record in August while import growth has flattened, with a particularly good trade performance by manufacturers.

The deficit with the rest of the world on all merchandise goods – the visible trade deficit – came out in August at £419m, the lowest monthly total for 6½ years.

In August the trade deficit on manufacturered goods was £26m, the lowest figure since July 1991 when there was a small surplus.

Excluding oil and erratic, high-price items such as ships, gems and aircraft, export volumes grew 2.5 per cent in the three months to August compared with the previous three months. In the same period the equivalent measure of import volumes was flat.

In the year to the June-to-August period export volumes excluding oil and erratics rose 3.5 per cent. The corresponding measure of import volumes grew just 0.5 per cent.

The seasonally adjusted figures from the Central Statistical Office result from large revisions to data now thought to be flawed due to problems with the new Intrastat system.

Instrastat was introduced in January to provide a new way of gathering trade data within the European Union after the abolition of EU customs barriers. It is based on collecting statistics from individual exporters and importers rather than customs staff.

In August the value of exports came to £10.39bn, 5 per cent higher than the £9.91bn in July. Imports fell 1.5 per cent to £10.81bn from £10.98bn.

Between June and August the deficit was £2.41bn, after £3.04bn in the three months to July. The last time the trade deficit for a full quarter was lower was in the second three-monthly period of 1991 when it was £2.02bn.

The deficit with non-EU nations in August was £729m, after £744m in July, while August saw a surplus of £310m on trade with the rest of the EU. The CSO said this last figure was the biggest monthly number "since about 1980".

On manufactured goods, the deficit in the first eight months of the year was £3.9bn, after £7.3bn in the whole of last year and £3.6bn the year before.

The revisions to earlier data by a six-strong team of CSO officials centred on altering the system of seasonally adjusting the figures from Instrastat.

The office also revised downwards its earlier figures for price increases for both exports and imports, covering 10,000 classes of products. The CSO believes prices of exports excluding oil and erratics rose 10 per cent in the year to the last three-month period, while import prices on the same basis rose 11 per cent. Prior to the revisions the office had believed prices were rising faster, especially for exports, and had a correspondingly lower figure for volume growth.

In the three months to August values of exports excluding oil and erratics rose 2 per cent on the preceding three months and 14 per cent on the same period 12 months previously. Equivalent imports rose 11 per cent and zero respectively.

In the June-to-August period exports of finished goods rose 3 per cent compared with the previous three months, and 17 per cent on a year previously. Imports of similar products fell 1.5 per cent between the two periods and rose 13 per cent over the year.

**TRADE WITH COUNTRIES INSIDE AND OUTSIDE THE EU**
**Balance of payments basis (£m seasonally adjusted)**

| | Exports | | | Imports | | | Visible balance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | European Union | Countries outside the EU | Whole world | European Union | Countries outside the EU | Whole world | European Union | Countries outside the EU | Whole world | Invisibles balance | Current balance |
| 1991 | 58 936 | 44 477 | 103 413 | 59 814 | 53 883 | 113 697 | -878 | -9 406 | -10 284 | 2 632 | -7 652 |
| 1992 | 60 365 | 46 682 | 107 047 | 64 022 | 56 431 | 120 453 | -3 657 | -9 749 | -13 406 | 4 786 | -8 620 |
| 1992 Q3 | 14 916 | 11 577 | 26 493 | 16 041 | 13 675 | 29 716 | -1 125 | -2 098 | -3 223 | 1 594 | -1 629 |
| Q4 | 15 562 | 12 134 | 27 696 | 16 707 | 15 295 | 32 002 | -1 145 | -3 161 | -4 306 | 1 859 | -2 447 |
| 1993 Q1 | 16 466 | 13 670 | 30 136 | 16 447 | 16 765 | 33 212 | 19 | -3 095 | -3 076 | 512 | -2 564 |
| Q2 | 15 401 | 14 205 | 29 606 | 16 241 | 16 421 | 32 662 | -840 | -2 216 | -3 056 | 621 | -2 435 |
| 1992 DEC | 5 062 | 4 133 | 9 195 | 5 654 | 5 442 | 11 096 | -592 | -1 309 | -1 901 | - | - |
| 1993 JAN | 5 423 | 4 420 | 9 843 | 5 534 | 5 418 | 10 952 | -111 | -998 | -1 109 | - | - |
| FEB | 5 618 | 4 508 | 10 126 | 5 472 | 5 701 | 11 173 | 146 | -1 193 | -1 047 | - | - |
| MAR | 5 425 | 4 742 | 10 167 | 5 441 | 5 646 | 11 087 | -16 | -904 | -920 | - | - |
| APR | 5 037 | 4 677 | 9 714 | 5 341 | 5 545 | 10 886 | -304 | -868 | -1 172 | - | - |
| MAY | 5 156 | 4 665 | 9 821 | 5 363 | 5 408 | 10 771 | -207 | -743 | -950 | - | - |
| JUN | 5 208 | 4 863 | 10 071 | 5 537 | 5 468 | 11 005 | -329 | -605 | -934 | - | - |
| JUL | 5 104 | 4 811 | 9 915 | 5 424 | 5 555 | 10 979 | -320 | -744 | -1 064 | - | - |
| AUG | 5 523 | 4 870 | 10 393 | 5 213 | 5 599 | 10 812 | 310 | -729 | -419 | - | - |

Source CSO

# Manufacturing output increases

By Peter Norman, Economics Editor

A REBOUND in car output in September caused manufacturing production to increase slightly after a decline in August, the Central Statistical Office said yesterday.

But manufacturing output fell fractionally in the third quarter after rising strongly in the first half of this year and is now estimated to be growing at an underlying rate of just 1 per cent a year.

The CSO said manufacturing production increased by a seasonally-adjusted 0.4 per cent in September after a 0.6 per cent decline in August.

Output of the production industries, which group mining, quarrying, oil and gas extraction and the electricity, gas and water supply sectors with manufacturing, rose 0.1 per cent in September, offsetting a decline of 0.1 per cent in the previous month.

The CSO estimates that production industry output is growing at an underlying rate of about 2 per cent a year.

Total output of the production industries rose 1 per cent in the third quarter compared with the three months to the end of June and was up 2.8 per cent compared with the third quarter of last year.

By contrast, manufacturing output fell 0.1 per cent in the third quarter and was 1.6 per cent higher than in the third quarter of last year.

Output trends varied in the different manufacturing sectors. Among consumer goods car output rose 1.9 per cent in the third quarter, largely because of a 9.6 per cent increase in September. Among investment goods the output of transport goods fell 3.3 per cent in the quarter, reflecting falling production of ships, aerospace products and commercial vehicles.

There were also wide differences in the energy sector. Coal production rose 2 per cent in the latest quarter but was 23 per cent down on the previous year. Oil and gas extraction jumped 7.5 per cent in the latest quarter and was up nearly 19 per cent from the third quarter of last year, reflecting the "dash for gas" among electric power producers.

Third-quarter output of the electricity, gas and water supply industries was 5.5 per cent up from the second quarter and last year's third quarter, reflecting increased demand during the cool summer.

# Civil engineers warn Clarke not to cut building projects

By Andrew Taylor, Construction Correspondent

A FRAGILE and hesitant civil engineering recovery would be reversed if the government announced spending cuts in road and rail construction in the Budget this month, industry leaders warned yesterday.

A survey of 139 companies conducted last month showed a sharp rise in the number of companies being asked to tender for work compared with 12 months ago.

Thirty one per cent of companies reported a rise in tender invitations compared with 26 per cent reporting a fall. The balance of those reporting increases over falls was the third highest in the 14 years that the Federation of Civil Engineering Contractors has been conducting its survey.

On the other hand 37 per cent of companies expected orders to fall during the next 12 months, compared with only 8 per cent expecting orders to rise.

Mr John Hackett, federation director-general, said the apparent conflict in the findings was due in part to "a fear that government, by cutting road and rail programmes, would upset the fragile recovery which appears to have begun in parts of the market".

Clients had also increased the size of tender lists in the hope that increased competition would force prices even lower. Due to a shortage of big projects large national contractors were bidding for smaller works which they might have ignored previously.

Mr Hackett said: "The clearest signs of better times ahead are coming from our members in London and the south-east which have seen relatively the greatest decline in workload during the recession.

"In general large firms are doing better, while smaller firms are holding their own. Middle-sized firms, by comparison, are continuing to have a very rough time."

● The number of houses sold by Britain's biggest estate agencies in October was the lowest monthly total this year according to a survey published today.

The survey by the industry-appointed Board of the Ombudsman for Corporate Estate Agents covered 26 companies representing 4,200 branches. Mr Peter Constable, group chairman, said that sellers had become extremely cautious ahead of the Budget.

Mr Constable warned Mr Kenneth Clarke, the chancellor, not to make any further reductions in mortgage tax relief in his Budget.

The rate of relief, available only on the first £30,000 of borrowings, is already planned to be cut from 25 per cent to 20 per cent from next April.

# Salvation Army moves to recover fraud loss

By Andrew Jack and Jimmy Burns

THE SALVATION ARMY has started overseas civil action in the last few days to recover the $8.7m (£5.76m) of which it was defrauded last year.

New information has triggered action to recover houses and other assets in California and the Netherlands.

Sources at the charity said yesterday they had identified the destination of nearly all the money which was passed over for legitimate investment in letters of credit – but was in fact dissipated around the world.

Meanwhile it emerged that new investigations have been triggered connected to the fraud – including ones by the FBI, the Dutch police and the US Securities & Exchange Commission. British detectives plan to widen their inquiries shortly – to the US and the Netherlands. They may also visit Argentina.

Of the $10m originally handed over by the charity in May last year to ASLK-CGER Bank in Antwerp, $8.7m was transferred to Banque Continentale du Luxembourg (BCL) and then on to London, the Netherlands and the US. $500,000 remains frozen in the BCL account.

A further $500,000 of the original money was paid from the ASLK-CGER account over the next few months back to the Salvation Army to give the appearance of profits on investment activities, although no such profits had been generated.

Investigators believe $3.3m was transferred from BCL back to the UK – $200,000 to an account in the name of Tilen SA created by Mr Stuart Ford, a Birmingham businessman; $2.5m to Edge & Ellison, Mr Ford's solicitors; and $600,000 – less substantial fees for Mr Ford – as a loan secured against worthless German inter-war bonds to Phoenix Airways, which planned to build an airport in Glenrothes, Fifes.

No criminal charges have been brought, although Mr Ford and Mr Robert Adey, a solicitor with Edge & Ellison, were separately arrested, questioned and released on bail. They denied any wrongdoing.

The remaining $4.25m of the charity's money was transferred to Cregem Bank International and then on to Kansallis International, two further banks based in Luxembourg.

From here, more than $3.2m was transferred to Mr Harold Glantz of Continental Capital Markets of New York, where much of it was spent on houses in Malibu and Santa Monica.

The remaining $1m held by Kansallis was transferred to Dutch accounts of ABN-AMRO in the Hague and Rabobank in Utrecht, and has been linked to Mr Guido Haak of Delta Management, a company based in the Netherlands.

Papers obtained by investigators suggest that Mr Gamil Naguib, the Egyptian financier named in a writ issued by the charity earlier this year, attempted to divert the money for different purposes, but lost control of it to Mr Glantz and Mr Haak once it entered the Kansallis account.

The charity believes it will recover between $2m and $3m directly from assets on which its money was spent, and the rest by civil actions.

## System for credit scoring opened up

By Alison Smith

PEOPLE REFUSED credit will be told more about the reasons, under guidance about the use of "credit scoring" published by the credit industry yesterday.

The guide to credit scoring – the method of deciding whether to give consumer credit on the basis of points for characteristics such as age and employment – has been revised for the first time since it was issued 10 years ago.

The guide sets out procedures, techniques and arrangements for checking scoring systems. Its coverage has widened, to include the banks, building societies, mail order traders and retail credit providers, such as shops that issue in-store cards.

In future people whose application for credit has been "credit scored" and refused will have a right to be told that this method of assessment has been used, and be given the main reason for that decision.

This might be that they had failed to acquire enough points on the credit scoring, that the rejection was based on credit agency information, or that they fell outside the policies of the organisation offering credit – for example, of lending only to home owners or to people in a particular age range.

The credit industry has resisted suggestions that potential borrowers who are rejected should be given more detailed information – it is worried about the risk that this knowledge could be used to manipulate further applications by omitting or changing the damaging information.

In a report on credit scoring from the Office of Fair Trading last year Sir Bryan Carsberg, director-general of fair trading, highlighted the importance of providing more information to customers as a way of increasing confidence in the system.

He accepted the case for not having detailed guidance about the factors used in scoring, but hoped to see emphasis placed on personal information about potential borrowers rather than on more non-personal data such as where people live.

While some of the changes recommended in the new guide are already being implemented, they will not necessarily all take effect until the end of next year.

The OFT is to update its leaflet for the general public 'No Credit?' to reflect the revised guidance. The new version should be available next year.

## Receivers hold out hopes of selling Swans

**Chris Tighe** on the yard's future as 510 job loses were announced

SWAN HUNTER, the Tyneside shipbuilder, is to shed a further 510 jobs because work on the Type 23 frigate HMS Westminster will be completed this weekend, receivers Price Waterhouse said yesterday.

The new round of cuts, which will reduce the company's workforce to 1,040, brings to 1,400 the number of jobs lost since the receivers were called in six months ago today.

Union leaders and local Labour MPs said the redundancies were another devastating blow, particularly for riverside areas of Tyneside where male unemployment is more than 40 per cent.

Swans only substantial remaining work is to complete sister frigates Northumberland and Richmond, due for delivery in May and November 1994.

But union leaders said they had not given up hope that a buyer would emerge for the company. "There's still hope for Swan Hunter, we aren't dead yet," said Mr Tommy Brennan, Tyne chairman of the Confederation of Shipbuilding and Engineering Unions.

The receivers, who are talking to four parties interested in acquiring Swans for shipbuilding, said they remained determined to retain the "golden nugget" of skilled employees, in the hope the company can be sold as a going concern.

The further reduction in workforce numbers is painful for individuals but may assist a sale by diminishing the liabilities in potential redundancy payments for any purchaser.

Mr Gordon Horsfield, one of the receivers, disclosed yesterday that two of the potential bidders were interested primarily in warship building; the others would also wish to build merchant vessels. The four include foreign companies.

The receivers have also approached companies potentially interested in Swans to see whether they would consider forming a consortium.

He said the potential buyers, none of which had submitted a concrete bid, were waiting to see what the November 30 Budget said on defence spending. They were also interested in whether Swans would be granted eligibility for European Union intervention funding, which would provide a 9 per cent subsidy for merchant orders. The receivers expect an answer within five weeks.

Mr Horsfield said: "If bidders are going to make concrete offers, I would hope we will see something beginning to develop over the next couple of months."

Swan Hunter went into receivership on May 13, two days after it lost the fight for a Navy helicopter carrier to rival VSEL, based Barrow-in-Furness.

Receivers Mr Mark Homan, Price Waterhouse's UK corporate recovery partner, Mr Horsfield, responsible for corporate recovery practice in the UK regions and Mr Ed James, Newcastle-based corporate recovery partner, were appointed by Lloyds Bank. At the time the company had net debts of £40m, of which £12.1m was owed to Lloyds.

Michael Scott

Receivers Gordon Horsfield (left) and Ed James at the Swan Hunter yard. They announced the loss of a further 510 jobs

The receivership, one of the biggest in Britain this year, has involved about 40 Price Waterhouse staff, including eight full-time at Swans. The firm has spent about 10,000 hours on Swans and its bill has exceeded £800,000.

Shipbuilding has made a powerful impression on some of the team. "One or two of our managers have got so enthused they'd be happy to stay there for ever," said Mr Horsfield. "One of the team's gone native – he wears a hard hat a lot," said Mr James.

Rival insolvency practitioners describe the Swans receivership both as a plum job, because of the potential for publicity for the receivers, and as a poisoned chalice, because of the delicate political and union considerations.

One rival said: "Most people quite relish the publicity of a major appointment; I'd have milked it for all it was worth." However, Mr Horsfield said: "I'm not attracted to making personal publicity out of an extremely delicate situation involving people's livelihoods."

Worldwide advertising of the yard brought 76 inquiries, whittled down by the receivers to 22 involving shipbuilding. These were reduced to a hard core with track records which would reassure the Ministry of Defence and other potential Swans customers. "They don't want accidents like this to happen again," said Mr Horsfield.

Because of the receivership, the yard has found it difficult to win substantial work, apart from the MoD's agreement to let Swans complete the three frigates.

Unusually, the receivers tried to form a stand-alone vehicle, Swan Hunter Neptune, involving local authorities and the Department of Trade and Industry, to carry out the Omani patrol boats order that Swans was near to clinching in May. This proved impossible because of the long-term commitment required.

Without selling any shipbuilding assets, the receivers have raised £7m, mainly by claiming shipbuilders relief from Customs and Excise and chasing trade debtors. Some of this money has provided working capital, and some has gone to Lloyds Bank. The receivers said the bank had been very supportive of their determination to sell Swan Hunter as a going concern.

Despite the bruising job losses, the receivers have maintained harmonious relationships with Swans unions, who share the objective of finding a buyer for the company. Mr Horsfield said they were the most commercially astute trade unionists he had ever come across.

## Brooke outlines lottery rules

THE government yesterday outlined restrictions on where and how tickets for the national lottery can be sold, Raymond Snoddy writes.

Mr Peter Brooke, National Heritage secretary, said he planned to issue draft directives preventing the rolling-over of prizes that have not been won for more than three consecutive games.

Mr Brooke made clear he does not want to see games or machines, including video machines, which encourage excessive playing; games which would encourage under-age playing or excessively priced tickets. Mr Brooke also said tickets should not be sold by or to those under 16 or sold in the street – apart from kiosks – or in betting shops, at horse or dog-racing tracks, in bingo or gaming clubs or even commercially in homes. The lottery's operator should be chosen by next spring.

### Watchdog acts on press code

THE Press Complaints Commission moved yesterday to try to strengthen self-regulation of the press by suggesting editors who breach the agreed code of practice could be sacked.

The move came in the wake of the publication by the Sunday Mirror and the Daily Mirror of pictures of the Princess of Wales in a gym.

The commission said it was seeking to ensure that all editors of national newspapers have the clauses of the code written into their contracts.

### Businessmen cleared

TWO businessmen who ran Therm-A-Stor, a double-glazing company, were both cleared of fraudulent trading charges after the Serious Fraud Office dropped its prosecution more than six weeks into the trial. It had alleged at Birmingham Crown Court that Mr John Morris, the company's founder, and Mr Anthony Bonnar, managing director, had defrauded customers and suppliers of more than £12m. The SFO said the trial had been abandoned after the emergence of unforeseen evidence.

### World Service boost

THE BBC World Service said yesterday its global audience had reached 130m regular listeners, up from 120m in 1990.

## Names want £900m to reach out-of-court deal

By Richard Lapper

ERRORS AND omissions insurers must pay at least £900m before loss-making Lloyd's Names are prepared to accept an out-of-court settlement of their legal disputes with agents, leaders of loss-making Names said yesterday.

The insurers, many of which are Lloyd's syndicates, cover agents against legal awards for negligence. Lloyd's has identified contributions from them as a source of funding for any deal with the loss-makers.

The Lloyd's Names Associations' Working Party, which links 37 groups of loss-making Names that are claiming up to £3.5bn in compensation, said yesterday it believed the exposure of the insurers to the Names' claims could be "as high as £1.5bn". The working party described as "derisory" an offer of £300m said to have been made by errors and omissions underwriters.

Lloyd's is also trying to persuade agents, brokers and accountants to make donations and is prepared to contribute from its central fund towards a settlement. It hopes to offer details of the settlement to Names by early December.

Separately, Lloyd's said it would "vigorously defend" a writ served earlier this week by a Name alleging criminal and civil fraud, false accounting and negligence. The writ seeks to cancel any contract with Lloyd's from November 1981. It alleges that Lloyd's knew about the extent of its exposure to asbestos and other long-tail liabilities – those on which claims can emerge many years after the start of the policy – when Names joined Lloyd's in the early 1980s.

## Levitt 'tried to blame others'

By John Mason, Law Courts Correspondent

MR ROGER LEVITT, former chairman of the collapsed financial services group, tried to blame others for the fraudulent activities of his company, it was alleged at the Old Bailey yesterday.

Mr David Cocks QC, prosecuting, said that when first interviewed by police Mr Levitt told them that everything had been done "behind his back".

Mr Cocks said that during these interviews Mr Levitt seemed to be placing blame on everyone's shoulders except his own.

This was completely untrue, he said, since Mr Levitt was at the heart of the fraud which involved illegally injecting £21m into the ailing company, forging bogus invoices to cover these funds and misleading Fimbra, the self-regulatory organisation for independent financial advisers, about the state of the Levitt Group's financial affairs.

Mr Levitt and three other former directors, Mr Mark Reed, Mr Alan McNamara and Mr Robert Price, all deny a charge of fraudulent trading between April 1989 and December 1990.

Mr Cocks said Mr Levitt's blatant dishonesty was demonstrated by the deception practised on his "great personal friend", the thriller writer Mr Frederick Forsyth.

At a meeting between the two men in May 1990 the author had agreed to invest £400,000 in bonds with the Levitt Group and wrote a cheque on the spot.

The money was placed in the Levitt Group's own accounts, however, rather than clients' accounts, to help keep it afloat, Mr Cocks said.

A false invoice was then created which claimed Mr Forsyth had paid the money in return for "commercial advice and negotiations on book rights". Mr Forsyth would be called as a witness and tell the court this documentation was "complete moonshine", Mr Cocks said. "You couldn't have a more blatant example, the prosecution say, of dishonesty," he told the court.

The trial continues.

## Planned A-level grade attacked

By John Authers

A NEW top grade will be created for the highest acheivers in A-level exams under proposals announced last night by Mr John Patten, the education secretary.

The move is part of a package of reforms to the exams, which form the basis of the university admissions procedure.

However, the changes received a negative reaction both from teachers and from university admissions tutors.

Mr Patten said the new "A-starred" grade was needed "to reward exceptional ability among the growing number of candidates now obtaining A grades". Below the new grade there would still be five grades of pass, ranking from A to E.

The Committee of Vice-Chancellors and Principals, which represents universities, said there was no evidence that the new grade would help admissions tutors, and that the move was "somewhat depressing because it provides another way to reject a candidate".

The universities added: "What is needed is candidates for university education with a broad education."

The National Association of Head Teachers accused Mr Patten of "tinkering unhelpfully with a system he appears not to understand".

However, the committee welcomed Mr Patten's proposal to ask the Schools Curriculum and Assessment Authority, the quango that controls exams, to encourage greater take-up of Advanced Supplementary (or AS) levels.

Each AS-level is intended to be at the same level of difficulty as an A-level, but requiring only half as much work. The intention is that candidates specialising heavily in one group of subjects can maintain some breadth by taking an AS-level in a different subject.

Take-up of AS-levels has been disappointing, mainly because many schools believe that in most subjects they are too difficult and worth rather more than half an A-level. Some headmasters also complain of timetabling difficulties.

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# Trade hitch for markets

TO MOST investors, whether in the United States, Britain or elsewhere, next week's vote in the US House of Representatives on the North American Free Trade Agreement (Nafta) seems a rather remote affair. The possibility of an adverse outcome is not being allowed for in a market whose chief worry is still that the low point in the US interest rate cycle may have been reached. Certainly, in itself, the success or failure of this regional trade deal cannot have more than a marginal impact on global investment returns. Yet if Nafta were lost, it could prove to be an important turning point for the markets.

The present high level of both bond and equity prices around the world owes as much to perceptions about longer term changes in economic structure as to short term views about the state of the economic cycle. While valuations have come to look more and more speculative by historic standards, they have derived increasing support from the belief that the forces of disinflation will prove to be much stronger than expected; and that a global economic upturn will receive an unprecedented demand boost in the second half of the 1990s as three to four billion people in the newly industrialising countries are absorbed into the global economy.

There is little doubt that the economies of Asia, Eastern Europe and Latin America will provide an increasingly buoyant market for the developed world's capital goods and will contribute to higher living standards in the West by exporting low cost consumer goods.

As a highly competitive source of supply they will also act as a powerful restraining influence on prices in the tradeable goods sectors of the OECD economies. The outcome of this disinflationary growth should be an increase in global living standards that would have much in common with the period of growth and falling prices in the late 19th century.

## Sheltered

Yet this benign scenario is substantially predicated on continuing trade liberalisation, without which the newly industrialising countries will be constrained in their ability to pursue the kind of export-led growth hitherto enjoyed by the dragon economies of Hongkong, Taiwan, Singapore and South Korea. And since trade is a positive sum game, it is not just the developing countries that stand to lose if the climate is more restrictive. Protectionism would ensure that producers in the low growth economies of the developed world would be sheltered from competition. Downward pressure on prices would thus slacken. Efficiency would suffer. If Nafta fails next week, the immediate impact will be felt in emerging markets where much of the froth in the global bull market has lately been concentrated.

The fall-out would be particularly heavy in Mexico, which last year attracted nearly $9bn of equity capital from the US – not much less than the sum US investors pumped into the world's second largest equity market in Japan. But there would be wider ramifications, not least because of the threat to the Uruguay round for which the deadline has been set at December 15.

The Clinton administration's position would be weakened: and that weakness would coincide with continuing uncertainty about the position of the French government, whose readiness to give in to populist pressure over the Air France strike might be replicated in its dealings with the French farmers over the Gatt.

## Balance

Equity markets would suffer from the initial blow to business confidence. And a rise in global bond yields, as the disinflation story confronted a setback, would inevitably rub off on equity prices too. A more protectionist trade climate would be most unlikely to put an end to economic growth. It would merely be a dampener. But coming after a long period of very full stock market valuations, a change in trade policy would have disproportionate psychological importance.

For the best part of 15 years the world has been in the grip of a powerful tendency towards globalisation and liberalisation. The balance of power in economic matters has shifted away from governments towards markets. The result has been a much faster pace of change, with considerable strains being felt in the labour markets of many OECD countries.

Defeat for Nafta might be taken in the markets to imply that this beneficial shock to the supply side of the world economy was coming to an end and that politicians were successfully reasserting control over markets in response to the clamour from those who have found the pace of change too painful. The symbolism would be powerful. That is not to say that it will happen; and since a shift towards protectionism would ultimately be bad for everyone's living standards, it should not be allowed to happen. The victory of US Vice President Al Gore over the maverick protectionist billionaire Ross Perot in this week's television debate offers modest grounds for hope. Next Wednesday's vote is certainly no mere technical matter. It should be watched with some trepidation.

As champagne corks start popping in the City again, can industry compete in the career stakes, asks **Robert Peston**

# Flash cash isn't all that glitters

In the City of London's champagne bars, teeming again after three bleak years, dealers and financiers are regaling each other with stories of their fabulous earnings.

Here is one: "A foreign exchange trader [at a Swiss bank based in London] was paid such a big bonus, well over £1m, that the computer which the firm uses to calculate bonuses could not cope – once the number reached seven digits, the computer aborted the program."

Then there is the spend-spend-spend version: "The boys were paid such big bonuses that they popped out of an afternoon [sic] to buy their girlfriends new cars."

Conspicuous consumption is back in the Square Mile, as the profits of stockbrokers and securities firms soar. Trading volumes in the stock market have risen; there has been a glut of securities issues and new businesses have sprung up to deal in the complicated financial products known as derivatives.

Last week S G Warburg, a leading UK investment bank, reported that its profits for the first half of the current financial year had almost trebled to £149m. A few days earlier, it had been reported that Mr Kaveh Alamouti, a dealer in London for Japan's Tokai Bank, had earned £9m last year.

There are very few City earners in Mr Alamouti's league. But many of his colleagues and competitors are expecting substantial Christmas bonuses. "There are more than 100 people in our London office who will get a bonus exceeding $100,000," said a 32-year-old executive at a US investment bank.

As these City tyros toast their good fortune, there is a less celebratory mood in British industry. When glasses are raised in a manufacturing company's boardroom, it is often to salute senior managers, with 20 or 30 years service, taking early retirement as part of cost-saving programmes.

In many parts of industry, the end of the recession is barely noticeable – belts are still being tightened. Though profits of many big companies, such as Imperial Chemical Industries, are recovering, they remain well below their peak.

Given the stark contrast between the fortunes of the City and industry, what do the graduates who entered the job market between 1980 and 1987, think about their career choices and prospects? Has going into the City lived up to its glittering promise? Or do young industrial managers derive sufficient satisfaction from their jobs to compensate for their lower earnings?

Collecting responses from the City, which is thronging with young men and women in their late 20s and early 30s doing interesting, highly paid and responsible jobs, was easy. However, thirtysomethings in charge of production or sales divisions at manufacturing companies were more elusive.

Several avenues proved dead-ends: a couple of business consultancies failed to suggest manufacturers with suitable interviewees; the chairman of a leading manufacturer said he would scour his myriad subsidiaries for a bright young industrialist but his office later left a message that "we have plenty of people who are between 37-45 but no one in the age group you want"; Imperial Chemical Industries imaginatively put forward an untraditional subject – a woman manager, Ms Ginny East, from Kingston Polytechnic.

But Ms East turned out to be an accountant, who has always worked on the financial side of ICI and is currently in investor relations – in other words, she is doing what is effectively a City job.

Colin Beere/Trevor Humphries

The City of London is riding high; industry less so: from left, Paul Compton, Ginny East and David Lewis

So where are all the young industrialists? A whole generation appears to be under-represented in British industry. Statistics provided by Mr Michel Ozaria, the French director of the London Business School's Career Management Centre, indicate what happened. Almost half of the LBS's business graduates in 1985 went into financial services and only 11 per cent into manufacturing industry.

A 32-year-old investment banker, expecting a £300,000 bonus this year, says: "I don't know anyone who had a good degree from a good university in the 1980s who went into industry, because the opportunities were not there."

In part, he is referring to the substantial sums which can be earned in the City. Mr Ozaria says the average starting salary, ignoring bonuses, for a 1985 MBA graduate was £27,500 in the City, compared with under £21,000 in manufacturing.

He is also referring to promotion prospects. ICI says its graduate intake in 1979 is only now being promoted to relatively senior production or marketing roles. The Institution of Mechanical Engineers says that out of 2,194 members in senior management jobs, only 55 are aged 28 to 34.

But industry does provide compensations apart from money for the rare individuals who are promoted young. Three who have climbed the corporate ladder quickly are: Mr David Lewis, a 28-year-old company operations manager with Unilever, the Anglo-Dutch conglomerate; Mr Alan Rosling, currently with the Downing Street policy unit which advises John Major, who at 31 has already been chief executive of a lingerie business for Courtaulds Textiles and is about to become marketing and planning director of United Distillers; and a former stockbroker, who asked to remain anonymous, now running a medium-size manufacturer of consumer goods.

All are enthusiastic about their careers and believe that "making things" provides satisfaction difficult to obtain in the City. Only the former stockbroker shows any bitterness about City extravagance. He says: "When we go into the wood-panelled gents at our financial advisers, we always say that if anyone offered us an office decorated quite as opulently we would move in tomorrow."

Mr Lewis has not had the time to ponder City lifestyles. Unilever has pushed him hard, giving him six different jobs since he joined its graduate training scheme in 1987 from Trent Polytechnic. He now has 33 people reporting to him and is in charge of co-ordinating the marketing plans for the detergents produced by Unilever's Lever Europe subsidiary. Though department managers at Lever Brothers earn about £30,000 a year, excluding London weighting, Mr Lewis shows no trace of regret at having turned his back on the far higher salaries available in City firms.

Though the financial service industry has been a powerful magnet for talent, industry's attempts to counter the attraction appear half-hearted. After Mr Rosling graduated from Harvard Business School in 1988, he did not find British industry rolling out the red carpet: "I had written to 50 of the leading companies in the country when I came out of business school. Most did not reply, most were not interested in someone of my background."

Eventually Mr Martin Taylor, recently appointed chief executive of Barclays and then in charge of Courtaulds Textiles, took him on with the promise: "I'll either give you a management role in a year or sack you." Within a few months, Mr Rosling was sent to Bristol to run Piersons, which makes Marks and Spencer's lingerie.

However, Unilever and Courtaulds are unusual in giving considerable responsibility to younger executives. "Promotion in industry comes with age," says Mr Paul Compton, a stockbroker who began his career with the engineering firm AE. "Even Leonardo would have found it difficult to get a decent job with a British manufacturer until he was 30."

After Cambridge, where he was sponsored in his engineering degree by AE, Mr Compton spent a year as an assistant to its manufacturing director, but decided to quit when told that his next job was "effectively as a foreman producing a particular type of piston in a factory employing 200 people".

He says: "Going to a piston factory in the north feels like going to do national service." He would have been away from his Cambridge friends and contemporaries for several years and the prospect of a senior management job was remote.

So in 1986, Mr Compton sent applications to several City firms. At 30, he is now an analyst of engineering companies for the stockbroker, Credit Lyonnais Securities, and talks frequently to Mr Colin Hope, chairman of T&N, which bought AE. "When I was at AE, I met the head once and was told about it three months in advance."

Rubbing shoulders with those at the top is fairly commonplace in the City. In general, firms are prepared to give considerable status and power to young people.

"I chose financial services because I wanted to work for an international business and one which presented greater challenges," says Mr Martin Fraenkel, a 33-year-old vice-president of Chase Manhattan, the US bank, who is in charge of bullion trading and the fashionable business of constructing complicated deals involving commodities and derivatives. "Apart from the financial inducements, there was also the opportunity to acquire more responsibility earlier than in manufacturing."

A graduate of Oxford University, Johns Hopkins in the US and the business school, Insead, in France, he says: "I have never actively talked to a manufacturing company about employment."

While Chase offers a diverse career because of its size and geographical spread, many City firms do not. Nor do most most of them offer much scope to manage people. Such opportunities are limited because of the flat management structures of most financial institutions.

This can be a disadvantage for some. Though Mr Compton loves his job, he says it has not changed very much for years. Others who joined the City during the mid-1980s boom are more despondent. "Of course I earn far more than I could in industry," says one broker. "But I am bored out of my skull."

Some of the 1980s graduates have risen through the City as far as they can. There are simply not enough senior jobs to go round. Now, manufacturing may be able to woo them if it has the confidence to give them top jobs. Industry has one significant advantage over the City, for all its handicaps – it can offer a long and varied management career.

So although the champagne corking are popping again in the Square Mile, the less flamboyant lifestyle of an industrial manager no longer seems so unattractive for an increasing number of City executives. They want more from life than chasing big deals and an end-of-year bonus, however fat.

*MAN IN THE NEWS:* ***Al Gore***

# Wooden-top carving a role

The Clinton White House has been so much on the defensive, both at home and abroad, that any small victory offers a welcome psychological lift.

It was understandable, then, that Vice-president Al Gore's apparent defeat of a shifty and ill-tempered Mr Ross Perot in this week's televised debate about the North American Free Trade Agreement should have "elated" President Bill Clinton and put a new spring in the step of many of his staff.

The role is a traditional one for vice-presidents and would-be vice-presidents during an election campaign: take the battle to the enemy with the slogans and personal assaults that might sound unpresidential from the top of the ticket.

On policy questions such as the Nafta this attack-dog role is less usual, yet by most measures Mr Gore appears to have carried it out effectively.

Opinion polls conducted for the CNN network and USA Today newspaper immediately after the debate showed that Mr Gore had enhanced his approval rating to 72 per cent, compared with 57 per cent before.

Perhaps more remarkably, Mr Gore may even have improved Nafta's chances of passing its crucial test on Wednesday in the House of Representatives. The same poll showed that 57 per cent of those questioned favoured the trade pact after the debate, compared with only 34 per cent before.

For Mr Gore, the surge is the latest climb in a roller-coaster ride up and down the public opinion polls. Since his entry into Congress in 1977, the public perception of the Tennessee politician has oscillated between "wooden-top [policy] wonk" with a future on the fringes, and cerebral heavyweight bound for the very top.

It is true that Mr Gore speaks slowly in public, and moves his robust body with the grace of a marionette. Yet the "wooden" label that he acquired during his failed bid for the Democratic presidential nomination in 1988 has stuck to him with more tenacity than may be warranted.

Friends describe him as a dryly humorous prankster with an uncanny knack for balancing a broomstick on his nose. And it is Mr Gore himself who most often tells the joke: how do you tell Al Gore from a roomful of Secret Service agents? Answer: he's the stiff one.

As a campaigner in 1988 and again in 1992, the occasional wooden speeches alternated with stirring, often effective, sometimes even emotional harangues. And in the campaign debates, he was always an accomplished performer.

This week, the perception of woodenness served him well, by ensuring that he need do no more than hold his own against the sharp-tongued Mr Perot to be declared the winner. His performance was not flawless – the main lapse in preparation was his inability to respond with details when Mr Perot falsely denied his charges of hiring lobbyists – but it did the trick.

It is not just the perceptions of Mr Gore's personality that have oscillated. The assessments of his clout as vice-president have also fluctuated.

Newspaper reports either portray him as a deputy president with real weight in the Clinton administration, or as an ambitious man champing furiously at the limitations of his job, which has always


been largely ceremonial.

There is not much that Mr Gore can do about this. John Adams, the first man to hold the job, described the vice-presidency as "the most insignificant office that ever the invention of man contrived or his imagination conceived".

The one real power the vice-president holds is the casting vote in the event of a tie in the Senate. Mr Gore is unlikely to match the record 29 such votes cast by John Adams, but already has two important tie-breakers under his belt from this year's budget battle.

Mr Gore likes the description of the job made by Thomas Marshall, vice-president under President Woodrow Wilson: "He cannot speak, he cannot move. He suffers no pain. He is perfectly conscious of all that goes on, but he has no part in it."

But the vice-president is no cipher and is better positioned to play a significant role in the administration than those of his predecessors who were picked to balance the ticket ideologically.

As centrist southerners just two years apart in age, Mr Gore and Mr Clinton operate on the same wavelength on many issues. During last year's campaign, Mr Clinton sometimes stole lines from his running mate's speeches, and he still sends drafts of many of his speeches to the vice-president for advice.

Mr Gore has clearly carved himself a role in some specific areas, notably technology, including the space programme, and the environment. He has also taken on the task of "reinventing government" through simpler management and deregulation.

These specialities closely parallel those of Mr Dan Quayle in the last administration. Mr Gore, however, has avoided taking on institutional responsibilities in the way that Mr Quayle did through his chairmanship of the National Space Council and of the Council on Competitiveness.

But he has placed allies in key positions in the agencies overseeing these areas: Ms Carol Browner as head of the Environmental Protection Agency and Mr Jack Gibbons as the president's science adviser.

Possibly of greater significance for the Clinton presidency, Mr Gore is credited by some in the administration with instilling in the president a sense of discipline.

Here again Mr Gore's influence is cemented by the appointment of his allies in the White House power structure, notably Mr Roy Neel, his own chief of staff, who took over as deputy White House chief of staff this summer.

In the longer perspective Mr Gore's victory over Mr Perot may prove ephemeral. He may have helped Nafta's prospect marginally but he has no casting vote in the House of Representatives. It is in that chamber that the Nafta will live or die.

**George Graham**

# The prince's hectic progress

## Michael Cassell with an exclusive look behind the scenes

The Prince of Wales chuckles as his VC 10 aircraft, seconds from touchdown at Riyadh military base, climbs steeply back up into the night sky. Crown Prince Abdulla bin Abdul Aziz is not quite ready to greet his guest.

The incident offers early warning of what lies ahead; HRH Prince of Wales, Duke of Cornwall, Duke of Rothsay, Earl of Carrick, Baron Renfrew, Lord of the Isles, Prince and Great Steward of Scotland and heir apparent to the British throne is about to step on to a ceremonial conveyor belt. It will be six, long, hot days before he can step off.

The unscheduled delay at least gives him precious extra minutes to do his homework before the first of a thousand handshakes.

This week's visit to the Middle East has been intended principally to help British companies win contracts in the region, though the prince admits, in characteristically self-deprecating style, that it will be hard to calculate its impact. With the lights of Riyadh below and one of his protection officers changing trousers behind a curtain, the prince reflects: "I just hope I can be of some value and that the benefits filter down. The trouble is that my hosts all think I have as much influence at home as their own royal families."

Even so, the trip to Saudi Arabia, Kuwait, Abu Dhabi, Dubai and Jordan was designed to make every second pay; if diplomacy was the name, trade was the game.

The meetings with kings, sheikhs, crown princes, prime ministers and businessmen was the product of a year's preparation. While the royal party may ultimately be hostage to the time-keeping of its hosts, it is the job of the small household team, which last weekend set out with "the boss" from RAF Lyneham, to make things run as regally as possible. The spotlight inevitably falls on Prince Charles, but the success of the show depends largely on those who remain in the shadows. They are surprisingly young – not a fogey among them – and show few traces of the pecking order said to afflict the much larger Buckingham Palace household.

Heading the prince's 12-strong group in the Gulf was Stephen Lamport, the prince's deputy private secretary, seconded six months ago from the Foreign Office and recently forced to endure an unwelcome moment of fame as a witness in the arms-to-Iraq Scott inquiry. During the day he regularly speaks into the prince's ear, though even over a late-night drink with the future monarch, his proximity never converts to familiarity.

Alongside him is Commander Robert Fraser, a grammar school-educated naval barrister who has been equerry to the prince for nearly three years and will shortly go back to the Navy. The boyish Mr Fraser, dressed in white and dripping gold braid, is "Mr Fixit", on hand for as many hours as his boss needs him.

At home, he might be weeding out some of the 4,000 invitations a year extended to the prince. If he ever entertained ideas of grandeur, they would quickly have been crushed under the weight of gifts which the royal visitor attracts, and which the equerry often has to carry.

The spoils of diplomacy include models of sailing dhows, endless bouquets and an armoury of ceremonial daggers and swords which the prince confides should be sufficient to equip his own bodyguard. Gifts, however, are a two-way business. The princely progress left in its wake paintings, Wedgwood urns, Cartier boxes and leather-framed photographs.

Neither Detective Inspector Tony Parker nor Detective Inspector Andy Crichton carries anything but a pistol – discreetly tucked away on the right hip under a City suit. DI Parker has been watching those watching the prince for 10 years. DI Crichton has seen eight years' service, and although he has been to operas and stage shows the world over he has never seen any of them. The only worrying moment this week came when an unpublicised death threat was made against the prince during a visit to the edge of Abu Dhabi's desert, the "empty quarter". Hundreds of soldiers hid among the mountainous sand dunes to scour for assassins.

The two men ease off only when the prince is safely in the inner sanctum, chatting on an immense sofa under one-ton chandeliers with King Fahd of Saudi Arabia, in a gold-embossed hall of mirrors with the Emir of Kuwait or amid a forest of flowers with the ruler of Abu Dhabi, where they argue the merits of a good compost.

Desert joy: Prince Charles with a silver dhow given to him in the Gulf PA

Surgeon Commander Robin Clark is a royal physician on a two-man rota attached to the prince. In one hand he carries a black case containing basic medical supplies, and in the other a heavy metal box holding trauma equipment. Never far away is the refrigerated blood bank; the unthinkable has been thought of.

Always present is Allan Percival, recruited recently from the Northern Ireland Office to be the prince's press secretary. His task is to "sell" the prince's visit in the face of other royal story distractions back home. Formerly with the Ministry of Defence, he is an experienced press officer and will play a big role in explaining the prince's future agenda.

Other members of the entourage have no public face but they are no less important to the organisation and smooth-running of the trip. Mary Ann Malleret and Elspeth Walker, the two secretaries, work late while Michael Fawcett, the prince's young valet, works sporadically. The quintessential picture of sartorial elegance, he sets out the prince's clothes and runs his bath. He starts work when his employer switches off for the day.

Ron Lewis, the Welsh, white-haired travelling yeoman, first worked for the Duke of Edinburgh until, more than 20 years ago, his son was big enough to have his own baggage. The luggage gets heavier as the paraphernalia grows en route.

For his added comfort, the prince takes with him Bernie Flannery, his butler for more than three years. A chirpy young man, he helps "the boss" start the day and can influence his mood, especially if he gets something wrong. Wherever he is, the prince appreciates familiar objects – like the drinks tray – in their usual places. Bernie, who worked for eight years on HM Yacht Britannia, has developed an eagle eye.

When the prince goes aboard Britannia – last week in Damman and later Abu Dhabi – another support team goes into action. The atmosphere is more formal, the hierarchy unbending.

His Royal Highness is met by Rear Admiral Bob Woodward, the ruddy-faced ex-Buccaneer pilot who captains the 40-year-old vessel. Britannia's glistening engine room, like something out of *Chitty Chitty Bang Bang*, steamed flat out for eight days to be on time for the prince after salmonella poisoning struck down some of the crew in Cyprus, where they were stationed during the Commonwealth heads of government conference. The admiral was close to being late for the first time in his career.

In the cramped, hot kitchens Carolyn Robb and Chris Barber, two chefs flown in from St James's Palace, fought for space to help provide food for two on-board dinners and an entourage already suffering from banquet fatigue.

On Thursday night, from the same kitchen, came a premature birthday cake for the prince, who is 45 tomorrow and who is returning home today to be on duty at London's Cenotaph for Remembrance Sunday. As the birthday boy blew out a single candle, one of his team whispered: "He's spent every year of his life getting ready for the job. No Prince of Wales has been better prepared."

While the informal celebrations were under way, on the other side of the world, four members of his household were working hard in Australia. Their mission, to get ready for January, when the prince's royal caravan gets back on the road.

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## Robert Thomson says Japanese loyalties are breaking down as 'free agents' are on the rise

# Team spirit hit for six

Mr Hiromi Makihara is typical of the old-style baseball heroes fondly portrayed in the Japanese versions of British boys' own adventure tales.

A pitcher (bowler) for the Yomiuri Giants, the country's most popular team, Mr Makihara is determinedly stoical on the playing field and, in moments of great tension or supreme elation, betrays no more than a raised eyebrow or a curling lip that could be the beginning of a smile.

Twelve years on the team and apparently a Giant for life, Mr Makihara threw his best curve ball this week, tempting baseball and social commentators to take a big swing at an explanation.

He has become a "free agent", and wants to join another team where he will be properly appreciated. In other words, he is prepared to trade in his black Giants' cap for more money. His new salary is undecided but is expected to be more than Y100m (£635,000).

While Japanese boys are regaled by traditional tales of sci-fi fantasy and adventure, the stories are really more about loyalty, and are a form of preparation for the corporate loyalty of adult life.

In his own way, Mr Makihara was wearing the blue suit of a salaryman on that pitcher's mound, and his unshakeable loyalty was that of the middle-manager from Mitsubishi or the bulldozer salesman from Komatsu.

The defection of Mr Makihara and a few other baseball stars through the newly introduced free agent system has prompted the general conclusion in the media that Japan is becoming a "free agent" society.


Politicians have been leaving the Liberal Democratic party, the parliamentary version of the Giants, to create new parties, while workers are said to be job swapping, and shoppers forsaking their brand loyalty.

These sudden changes of uniform have left the Japanese doubting the durability of loyalty at a time when leading companies are calculating whether they can afford to make a lifetime commitment to their workers. Nippon Steel, which sets industry trends, is planning to halve its graduate intake and maintain a smaller core of lifetime employees, hiring and firing the remainder when necessary.

Workers are interested in job flexibility, but the economic downturn has made them wary of a flexibility that may mean unemployment. The Shukan Gendai, a magazine popular among commuters, has a cover story this week describing "The salaryman's great depression", and promising to provide answers on "all those issues which cause unease", including life after sacking and borrowing money to supplement shrinking bonus payments.

A senior executive at a Japanese bank explained that his institution had lost employees to high-paying foreign banks in Tokyo, but "the scalping problem is not so serious now", as staff want the security of lifetime employment which non-Japanese institutions do not offer. Salaried workers, surveyed by Meiji Mutual Life Insurance last month, are putting less emphasis on pay and more on the quality of working life. Only 17.1 per cent sought more money, while 44.5 per cent wanted stimulating work.

This comes at a time when Japanese consumers have become more discerning about price, and want better value for money, regardless of old loyalties to prestige brands.

In Tokyo, a government-backed "individuals' import centre", which was opened in 1987, enables consumers to flick through some 1,500 catalogues and order German ski wax or buy Japanese-made industrial equipment from a US company, cutting out a few layers of middle-men.

"Last October, we had about 50 people a day, but now we are getting 200 or 300 people," says Mr Tadamichi Shiramatsu, a manager. "In the past, people were interested in importing luxury goods. They don't care so much about brands now, and are looking for something different for their home. Japanese are relatively rich, but they want to spend money wisely."

However, sales figures suggest prestige brands still have weight, as long as they come with quality, and a person's self-perceived place in a group is still central to Japanese identity, whether the group be a university old-boy network or the supporters' club of the Yomiuri Giants. But Mr Hiroshi Minami, director of the Japan Psychology Centre, suggests that the governing creed in Japan is gradually shifting from the collective to the self-centred.

"At the root of this shift is technical skill. If people have confidence in their skills, they can move to wherever the skill is appreciated," Mr Minami said, though he cautions that this applies to elites such as the entertainments industry, and not yet to the factory floor.

"This phenomenon is spreading among the people in society who are regarded as talented. But if you look at the supporters, you still find that there is strong sense of the collective."

Now free agents have an important new role model: Mr Morihiro Hosokawa, the prime minister, formerly an outfielder for the LDP, who leads the Japan New party.

He is strong on technical skill and, at last count, had a 70 per cent approval rating, higher than any other administration since 1946.

When Mr Hosokawa's patchwork coalition inevitably falls apart under the weight of its differing views, ranging from the religious right to the socialist left, he will have a chance to test the market for political free agents.

Given his good record as prime minister, he could cobble together another multi-coloured coalition, knowing that if Makihara can leave the Giants, voters might find it acceptable for Hosokawa to play wherever he likes in politics.

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## Antony Thorncroft on threatened cuts in the UK arts grant

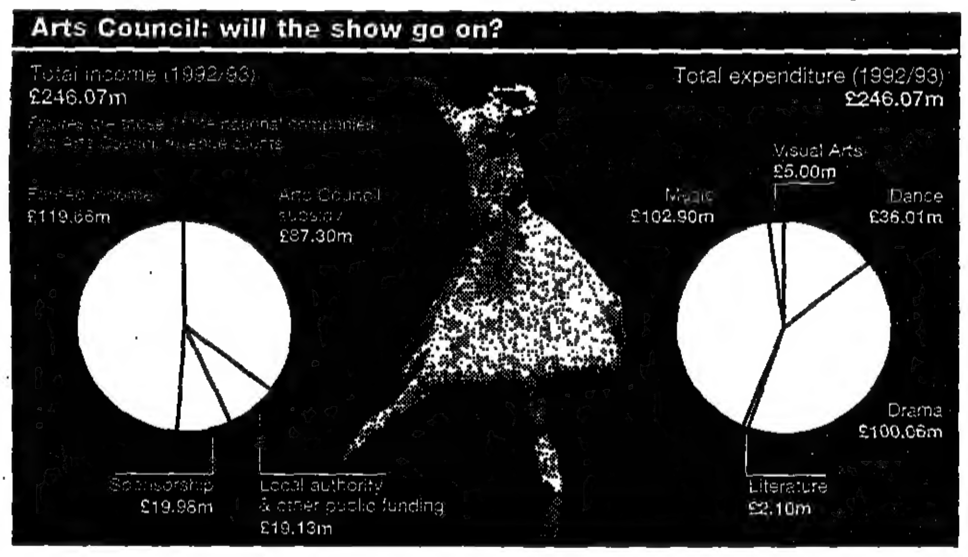
# Drama spills off the stage

The UK arts world, always a febrile community, is currently stirring itself up into a frenzy. Next month the government is expected to cut its annual grant to the Arts Council, which currently stands at £225.6m. The proposed cuts will mean that thousands of arts organisations, from the Royal Opera House, Covent Garden, to the Dodgy Clutch Theatre Company in Whitley Bay, in the north-east, will receive less subsidy.

For the more imaginative practitioners in the arts any reduction would signal the arrival of the fourth horseman of the Apocalypse. The other three are already in place: the recession has caused a fall in box office income; arts sponsorship by business has this year suffered its first decline in decades; and local authorities, which collectively contribute almost as much as the government to the arts, are being forced by the squeeze on their funding to reduce their commitment. With an Arts Council cut, all four sources of revenue for arts companies would be reduced.

A year ago Mr Peter Brooke, the national heritage secretary, warned the Arts Council that its 1994-95 budget would be 2 per cent, or £5m, less than this year. Now the arts establishment feels that its charmed life may be over.

Many in the arts assumed that the council would escape the axe. After all, the total heritage budget, which includes libraries, museums, English Heritage, as well as sport and tourism, just nudges £1bn, less than half of 1 per cent of government expenditure. Also, the arts can argue a strong financial case for special treatment: it attracts foreign tourists; it provides creative exports; and it is a generous provider of value-added tax revenue. In addition, the great national orchestras and theatre, opera, and dance companies enjoy international acclaim. As Lord Palumbo, chairman of the Arts Council, said yesterday: "The arts are quite simply our great success story. Cutting the arts by 2 per cent will not only yield no significant saving; it will represent a net cost to the exchequer in lost tax receipts."




By the summer, it seemed there would be no way to avoid lower funding. Indeed Mr Anthony Everitt, secretary-general of the Arts Council, expressed concern that the council might suffer a £10m cut. Arts activists began to lobby. The six leading opera companies produced a document, which was sent to the prime minister – and opera-loving Mrs Norma Major – detailing the impact of a 2 per cent reduction. It would mean that English National Opera might terminate its community programme and commission no new work; Opera North would cut its 1994-95 programme from 11 operas to nine; the Royal Opera, Covent Garden, had already dropped a new production of *Oberon*.

Leading orchestras and theatre companies, such as the Royal Shakespeare Company, joined in the campaign by alerting audiences to the threat, and suggesting they protest to their MPs. Every influential trustee and board member of an arts organisation was asked to put in a word if they came across a cabinet minister. A rally in London is planned for November 23 involving hundreds of luminaries, including Richard Eyre, director of the Royal National Theatre, and actors Anthony Sher and Timothy West.

Every effort is being made to convince civil servants and sceptics. "This is a real crisis," says Mr Colin Tweedy, director-general of the Association for Business Sponsorship of the Arts. "Our backs are really against the wall."

> 'The cuts are serious for the public, not just for producers and directors'

Evidence suggests he is right. All four of the national flagship companies – the Royal National Theatre, the RSC, the Royal Opera House, Covent Garden and the English National Opera – are struggling with deficits which collectively exceed £7m. Mr Jeremy Isaacs, general-director of Covent Garden, says: "I have run this House in the black for the past two years but in planning next year's budget I'm looking at a shortfall of millions." He will be attending the rally on November 23, to point out that "the cuts are serious for audiences, for the public, not just for producers and directors".

As for the regions, Mr Chris Butcher, of the pressure group National Campaign for the Arts, says: "There is hardly a company we question that is not facing some kind of crisis." In the past few weeks the Liverpool Everyman has gone dark; the Lyric Hammersmith has announced it will close in April if it cannot raise £350,000 to balance its books; and London Contemporary Dance Theatre faces a threat of closure.

A fall in box office income has made the outlook worse. Audiences in the West End have fallen by 1 per cent in the past 12 months, and an increasing number of seats are sold through special discount offers. The Royal Opera House and the ENO (which saw its audience slide to 63 per cent of capacity last season) are both considering marketing initiatives. London's South Bank Centre is brightening up its repertoire in an effort to stem an audience decline from 81 per cent to 61 per cent of capacity in the past 20 years.

In addition, arts sponsorship, which grew rapidly to £64m last year, has suddenly dipped. Companies are reluctant to be seen supporting arts events while announcing redundancies. "If the government cuts back on the arts, so will business," says Sir Simon Hornby, chairman of the ABSA. "There is this nonsense that the arts are elitist. They are only elitist if they don't get government support."

The argument against elitism has been most forcefully put by local authorities such as Birmingham, Glasgow and Manchester, which have invested heavily in the arts to raise morale in their communities, and to promote a better image in their search for business investment. But even they are being forced to freeze their support. Other cities, such as Bristol and Liverpool, through indifference or lack of income, are doing little to help their local theatres and arts centres to survive the current crisis.

The only hope of the cavalry riding to the rescue is the national lottery. By 1995, the Arts Council will expect to handle an extra £75m a year from its slice of the lottery revenue, which in total is estimated at about £375m. This is designated to support new buildings – but improving the back stage at Covent Garden, or the heating system at the National Theatre, or enlarging a concert hall here and a dance studio there could improve the financial future of many arts companies, because council grants could be spent on productions.

In theory, lottery money should not affect the amount the government spends on the heritage. In practice, the proposed cuts were almost certainly made with one eye on the lottery receipts. But there must be doubt whether some worthy arts companies can survive another 18 months of financial penury.

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# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## A better level of service won the day

*From Mr Barry Reamsbottom.*

Sir, Re your leading article on the extension of privatisation of central government work ("Forward to Tory basics", November 8), there is a simple reason why so many of the market tests were won by in-house teams. It is because these teams, openly and fairly, bid to do the work cheaper and offered a better level of service than firms in the private sector.

Unfortunately, it was the minister for public service, William Waldegrave, who insisted on making – without producing one shred of supporting evidence – quite fantastic predictions about the level of savings that would accrue from market testing.

On the other hand, there is already plenty of evidence to show the folly of opting for further major privatisation. Water privatisation, for instance, has brought about as much as an eight-fold increase in prices and led to the directors of the new companies more than tripling their salaries, as well as being able to exercise many millions of pounds in share options. Who would now also deny that the decimation of the British Coal industry is directly attributable to the way in which the privatised electricity generation companies no longer need to take account of the long term energy needs of the country?

The truth of the matter, as most informed commentators realise, is that the civil service has undergone a whole series of efficiency reviews since 1979, which have reduced the numbers of staff by some 25 per cent.

Next Steps Executive Agencies, which now employs as many as two-thirds of all civil servants, must also meet very tough financial and quality targets which are set for it every year by the government.

Last year, against a background of severe economic recession, these agencies as a whole met three out of every four of those targets, a record most private sector companies would dearly love to have.

Barry Reamsbottom,
*general secretary,*
*Civil and Public Services Association,*
*160 Falcon Road,*
*London SW11 2LN*

## Not all are united on EU

*From Mr William Cash MP.*

Sir, In your leader, "Europe by any other name" (November 11), you indicate that the question of what the new institutions for Europe should be called is a "small matter", even "legalistic". You grandly decide to cut through the Gordian Knot and ignore the legal framework, not to mention the European Community, and (no doubt to the delight of the federalists and Euro-propagandists) opt to adopt the expression "European Union" as the institutional nomenclature for Europe.

Repeatedly we were told in the House of Commons this past year that the EC and the EU are entirely distinct and that the great victory for the government at Maastricht was that we had negotiated the inter-government pillars of the EU. Euro-realists were vilified for daring to suggest that this was a Pyrrhic victory. Your leader has proved our point.

William Cash,
*The European Foundation,*
*61 Pall Mall,*
*London SW1Y 5HZ*

*From F P Jenkin.*

Sir, Since – notwithstanding the meretricious logodaedaly of the drafters of the Maastricht treaty – the erstwhile European Community has palpably not become a Union, may I suggest that you slightly modify your proposed Financial Times terminology to "European Union (sic)".

F P Jenkin,
*Rookery Lodge,*
*Tregenna Fields,*
*Camborne, Cornwall TR14 7QS*

## Bad move for transport

*From Mr Richard P Botwood.*

Sir, There is speculation that in his November Budget the chancellor may seek to introduce VAT at some level on public transport fares. We hope this is false.

Much of public transport is perceived to be expensive at the point of use and this is a deterrent to its greater use. To make this perception more of a reality by a directly imposed new tax must be contrary to what we understand is the government's strategy for relieving congestion on the roads. It would be a particularly ill-conceived action should any additional revenue raised from VAT not be "ring fenced" for the development of improved public transport services and infrastructure.

The whole subject of taxes on transport coupled with the possibility in future of road tolls, merits an overall review which this institute will now be undertaking.

Richard P Botwood,
*director general,*
*Chartered Institute of Transport in the UK.*
*80 Portland Place,*
*London W1N 4DP*

## View polarises nuclear review

*From Prof I Fells*
*and Prof N J D Lucas.*

Sir, It is a pity that Dieter Helm (Letters, November 4) seeks to polarise the nuclear review at its outset by branding us "pro-nuclear" merely because we mention some of the advantages of nuclear power. He goes on to place himself firmly in the camp of the market-led "dash for gas".

We suspect that readers of the FT will understand the advantages of a balanced energy supply portfolio in preference to a precarious dependence on gas-fired stations selected on a single, simplistic, short-term criterion.

I Fells,
*University of Newcastle on Tyne.*
*NE1 7RU*
N J D Lucas,
*Imperial College of Science and Technology.*
*London SW7*

## Insurance disc should also be compulsory

*From Mr Peter Boileau.*

Sir, Further to Mr McIlroy's sensible letter suggesting replacing a tax disc with an MOT disc (October 6/7), I would further propose adding a compulsory insurance disc to the MOT one on the windscreen (as in France). One hears there are about 1m drivers without insurance etc on Britain's roads, tantamount to a licence to kill. Maybe Sir Mark Weinberg could shake up the insurance industry (not among the best of payers) to solve this haunting little problem.

Peter Boileau,
*6 r de l'Evoché,*
*Mirande, 32300 France*

## Currency exchange prices do not seem so fair

*From Mr Alan Eames.*

Sir, "Fair prices at Heathrow", proclaims the British Airports Authority, and "Our airport Bureaux de Change now gives you the best all round deal". Ha ha. DM100 changed at Heathrow Terminal 2 on November 5 gave me a net £35.06 at a rate of 2.6625 (versus FT close average rate of 2.515), minus £2.50 commission. Is it not time steps were taken to reduce those excessive currency transaction profits? No wonder financial and other institutions are so against a single currency for Europe.

Alan Eames,
*Rimska cesta 16/10,*
*Ljubljana, Slovenia*

## COMPANY NEWS: UK

# Poor ice cream sales check Unilever's rise

By Guy de Jonquières, Consumer Industries Editor

POOR ICE cream sales in Europe and severe competition in the North American detergents market held Unilever, the Anglo-Dutch food and consumer products group, to a 5 per cent rise in third quarter pre-tax profits from £584m to £613m.

Almost all of the rise was because of a buoyant performance by operations in the rest of the world sector – particularly south-east Asia and Latin America – which increased its operating profits by 20 per cent and sales by 27 per cent.

Operating profits in Europe – the sector which provided more than half of Unilever's sales – fell slightly from £401m to £393m.

The directors said that economic conditions on the continent remained difficult and that they saw only modest recovery in the UK.

However, they added that there were much clearer signs of improvement in North America, where there was a small rise in operating profits from £99m to £103m.

Sales for the third quarter to September 30 were £6.64bn (£6.25bn). For the nine months, pre-tax profits rose to £1.6bn (£1.5bn) on sales of £19.33bn (£18.19bn).

Earnings per share rose 17 per cent to 21.94p (18.77p) in the quarter and 19 per cent to 58.32p (48.84p) for the nine months.

Mr Michael Perry, joint chairman, blamed the weak results from the Europe division on poor weather during the peak sales season for ice cream. Sales for the three months rose slightly to £3.78bn (£3.7bn).

He said the professional foods business also continued to experience weak demand. However, most branded foods performed well, and personal products made further good progress.

In North America the improvement was because of a strong performance in personal products, both in the prestige and mass-market categories, the directors stated.

However, the rest of the world sector again provided Unilever's strongest growth, extending the trend in the first half. Operating profits rose to £146m against £121m on sales of £457m (£360m).

Sales in Japan were growing at an annual rate of more than 20 per cent.

Unilever's overall operating margins slipped to 9.7 per cent (9.9 per cent) in the quarter. Net debt rose to £1.5bn compared with £1.2bn.

The group made 24 acquisitions and 14 disposals during the quarter, at a net cost of £450m. The interim dividend is raised to 6.08p (5.2p).

See Lex

# Supasnaps behind Sketchley's 16% rise

By David Blackwell

**A GOOD contribution from Supasnaps helped Sketchley, the dry cleaning, textile rental and film processing group, lift interim pre-tax profits by 16 per cent to £3.6m compared with £3.1m.**

**Sketchley acquired Supasnaps from Dixons last April for £4.3m, plus £2m goodwill. Mr John Richardson, deputy chairman, said the acquisition had "performed exceptionally well", generating £6m of cash to date.**

**Supasnaps contributed £2m to operating profits in the 26 weeks ended October 1. However, the group warned that profits from film processing would be significantly less in the second half because of the seasonality of the business.**

**Operating profits from the rest of the group fell to £2.36m, against £3.74m in the 27 weeks to October 2 last year.**

**Mr Tony Bloom, joint deputy chairman, said the dry cleaning business had proved tough and competitive, particularly in the south-east of England.**

**The group was responding with an aggressive price promotion campaign.**

**The textile rental division, which supplies workwear for British Coal's miners, won a net increase in customers for the first time in three years during the half. But in spite of reduced dependence on British Coal, the falling number of miners would continue to affect profits in the second half.**

**Mr Richardson said the jewel in the crown of Supasnaps was its strong retail management team. The group is to merge its dry cleaning division with Supasnaps.**

**Mr Richardson said the group had closed 30 loss-making dry cleaning stores and 22 lossmaking Supasnaps branches.**

**It now had over 750 retail outlets, including 460 dry cleaners, and planned to have 100 fully-integrated stores by the end of next year.**

**Total group revenues rose from £53.7m to £75.6m, including a £24m contribution from Supasnaps.**

**Net interest payable rose from £625,000 to £721,000, and gearing was up from 17.7 per cent to 26.8 per cent.**

**Earnings per share moved ahead from 4.2p to 4.4p. The interim dividend is maintained at 1p a share.**

# Stanhope extends revolving credit

By Andrew Bolger

STANHOPE Properties has extended its revolving credit facilities to 1996, subject to continued compliance with specified covenants and to interim reviews by the group's banks.

The group, which is joint owner of the Broadgate complex in the City of London, announced that it had reduced its annual pre-tax losses from £214.7m to £63m in the year to June 30.

However, Stanhope's also revealed that its net assets had fallen to a deficit of £15.8m at the year-end, compared with a surplus of £42.2m. The group has therefore called an extraordinary general meeting for December 13.

The Companies Act requires a company to call a meeting if its net assets are less than half its called-up share capital, to consider what action, if any, needs to be taken.

Stanhope said this deficit should represent the nadir of the group's performance and was against the background of an extremely severe and protracted downturn in property values.

The board was reviewing options for strengthening the group's balance sheet, including the possibility of raising new equity and a further restructuring of the company's banking arrangements.

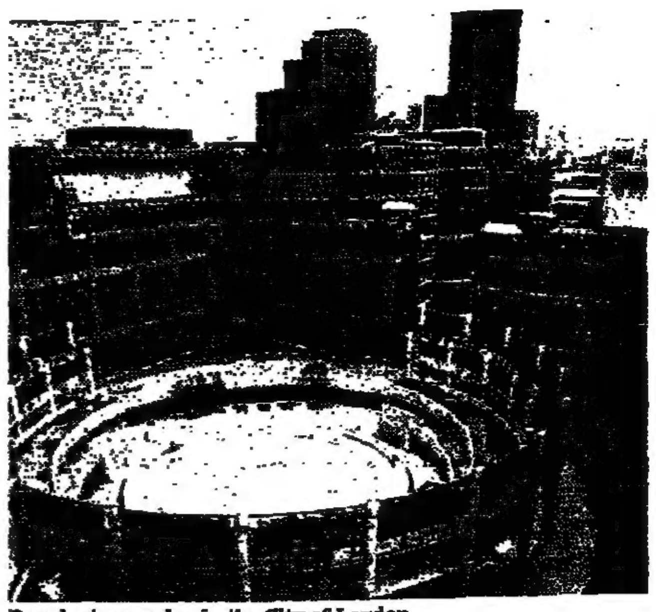
Stanhope said that last year many commentators believed that the property cycle had reached the bottom and that by the end of 1993 values and rents could start to rise.

"This belief has been fulfilled. The rapid and substantial fall in interest rates, resulting in property yields exceeding bond yields for the first time in a number of years, has benefited Grade A buildings as evidenced by the sale of 175 Bishopsgate and two disposals since the year end totalling approximately £70m which have taken place at Stockley Park."

The directors said they were "confident that the bottom of the property cycle has passed. With the rising demand for high quality office investments, which make up the bulk of our portfolio, we expect to see slow but steady progress over the coming 12 months and thereafter."

As a result of its disposal programme, Stanhope said it had reduced borrowings from £254m at June 30, 1992, to the current level of approximately £132m.

Turnover fell from £56.9m to £53.2m. Losses per share were 37.35p, compared with 128.6p last time. There was again no dividend.



Broadgate complex in the City of London

# Lilliput flotation at 135p

By David Blackwell

LILLIPUT GROUP, the Cumbria-based manufacturer of hand-painted miniature china cottages, yesterday finalised its flotation, pricing its ordinary shares at 135p.

This gives a p/e of 14.5 and a market capitalisation of £31.4m. The company is forecasting operating profits of not less than £3m for the year ending January 2, and earnings per share of at least 9.3p.

The directors will recommend a final dividend of not less than 0.6p, equivalent to 4.35p if the shares had been trading a full year. This gives a notional gross yield of 4 per cent and is 2.1 times covered.

Last year operating profit was £2.13m on turnover of £13.6m. For the six months to July 4 operating profits were £1.08m on turnover of £7.1m.

The company is placing a total of 12.04m ordinary shares with institutional and other investors, with 4.2m of them subject to a clawback to meet retail demand through intermediaries.

The flotation will raise £16.25m for the existing shareholders and £2.43m net of expenses for the company, of which £1.47m will be used to redeem preference and deferred shares.

After the flotation the existing shareholders will continue to hold 48.3 per cent of the shares. Of this, the executive directors, their families and related trusts will have 22.7 per cent. Mr David Tate, the technical director and founder of the company, will retain 3.83m shares or 16.5 per cent of the issued capital.

Strong demand is stimulated by the 65,000-strong collectors' club. Cottages bought for £10 10 years ago have been known to change hands for £1,600.

**● COMMENT**

**The hand-painted china country cottage industry supplies a niche market if ever there was one. David Tate's commitment to quality and technical innovation is in no doubt, and the company is a past master at creating demand for the expensive, collectable end of its range. However, it is difficult to believe that competitors will not emerge to exploit what appears to be a lucrative market. Fashion could also be a factor in the gift shops, where Lilliput models have to fight for shelf-space with companies such as Royal Doulton. A p/e of 14.5 looks optimistic, and very little of the money raised is going back to the company. A limited edition model cottage might prove a better investment than the shares.**

# Azlan for market with £50m valuation

By Alan Cane

AZLAN GROUP, a distributor of advanced computer networking products, is to obtain a full Stock Exchange listing through a placing and intermediaries offer which values the company at £50.2m.

Some 9.6m shares are being offered or placed at a price of 230p a share. The offer has been fully underwritten by SG Warburg Securities. There will be 21.8m shares in issue following the offer.

Some £6m, net of expenses, is being raised to increase the company's range of products, improve its market share and help expand its business in continental Europe.

Under the offer, 3.04m shares are being issued by the company and 6.6m shares are being sold by existing shareholders. Some 6.5m shares are being placed with institutional investors and 3.1m are being offered to intermediaries on behalf of their clients.

Azlan reported earnings per share of 8.4p for the year ended March 31, giving a p/e ratio at the offer price of 27.4. The forecast final net dividend for the year to March 31 1994 is 2p, giving a notional dividend of 3p. Gross dividend yield at the offer price would be 1.6 per cent.

Azlan has chosen to take the high added value approach to the distribution of products in one of the fastest growing areas of the computer marketplace.

The company distributes only leading edge, high technology, products at an early stage in their implementation when dealers have most need of Azlan's expertise in selling the products to customers.

When products become commodities and gross profit margins start to decline, Azlan's declared policy is to move into new areas which offer better profitability. It is a risky strategy, demanding intense concentration, but offers better margins than conventional electronics distribution. Last year the company made a pretax profit of £2.9m on sales of £41m.

# Egit threat to undo two investment deals

By Peter Pearse in London and Quentin Peel in Bonn

THE EAST German Investment Trust yesterday threatened to undo two investment deals it had struck in the privatisation of two former east German companies.

Responding to reports in the German media that the Treuhand agency had suffered damages of DM100m (£40.6m) in the privatisation of Märkische Baustoff-Service (MBS) and Haushaltgeräteservice (HGS), Egit said it would take the action "in order to avoid even the appearance of unlawful enrichment on the part of the company."

Egit said it would offer to sell MBS back to Treuhand for the full purchase price, and that it would seek refund on its down-payment on HGS.

The current investigation by judicial authorities in Berlin into certain Treuhand employees, past and present, led to reports in the media about the activities of Egit, Ermgassen & Co, its investment manager, and Dr Olav Ermgassen.

The Treuhand agency in Berlin insisted that it was satisfied with the Egit's performance in all the 22 east German companies in which it has direct or indirect participation.

"Up to now all the contractual obligations [of Egit] have been maintained as far as purchase prices, investments and jobs are concerned," the Treuhand said in a statement. More than 6,500 workers are employed in the companies in which Egit has an interest, and the contracts provide for an investment of DM480m in the coming years.

Mr Wolf Schöde, representing Treuhand, said he was astonished at the Egit move, because the company had only two days ago requested an extension of the Treuhand guarantee covering borrowing by MBS and HGS until the end of the year.

He also expressed surprise that Egit was offering to sell MBS back to Treuhand, but made no mention of the MBS parent company, Dresdner Beton, which it also owns.

The investigators confirmed that 51 premises were raided last Tuesday in the investigation against the former Treuhand employees, who are accused of profiting illegally from the sale of various companies and properties.

Among those accused are the two men now employed as chief executives of MBS and HGS. A decision on whether to proceed with a prosecution would only be made next year.

The Berlin judicial authorities said nobody at Egit itself was involved.

# Somic shares surge 23% on recovery

Shares in Somic surged by 23 per cent yesterday as the Preston-based maker of yarns and woven fabrics reported what Mr Richard Blackburn, the chairman, described as its "best figures for 5 years".

The shares, which touched 88p at one point, finished the day 15p up at 81p after Somic announced that sales for the half year to September 30 grew by 24 per cent to £2.24m. This, combined with continuing cost saving exercises, resulted in a pre-tax profit of £133,453.

In the same period last year there was a £10,151 loss, but better trading conditions helped turn this round to an £81,249 profit at the full year.

After a three year absence, the company is restoring the interim dividend with a payment of 1p – last year's single final was 1.5p. Earnings per share amounted to 4.47p (0.38p losses).

Mr Blackburn said the improvement in trading conditions had affected most parts of the business, although there were still some areas yet to benefit.

# British Gas restructuring delay

By Deborah Hargreaves

BRITISH GAS has put off an internal restructuring plan that was due to come into effect at the end of the month. However, the company said there would not be a long delay in the plan to split the company's UK business into five separate divisions.

British Gas unions suggested the company was having difficulty finding people for the top posts – those appointments were due to be announced by the end of November. But that was denied by British Gas yesterday.

"We've been working on this since the spring", the company said, "and there are a lot of formalities that need to be covered. It has just taken a bit longer than expected."

The restructuring involves cutting jobs by 20,000 over three years and the company says there has been no hold-up to the redundancy programme.

British Gas could be forced to sell off its UK trading business – the part which markets gas to households and industry – if the government adopts recommendations made by the Monopolies and Mergers Commission in August. The company said its five new divisions could be dove-tailed to fit with the MMC's recommendations if they are taken up by Mr Michael Heseltine, trade and industry secretary.

The re-organisation will split the gas sales business into a public supply division, contract trading which sells gas to industry, installation and appliance retail. The pipeline and storage arm, which accounts for 85 per cent of the company's assets, will also stand alone.

# BVCA issues disclosure guidelines

By Richard Gourlay

**THE BRITISH Venture Capital Association has issued revised guidelines for the valuation and disclosure of venture capital portfolios.**

**"The new guidelines are designed to make it more difficult to overvalue unlisted investments and to encourage greater disclosure.**

**Mr Iain Tulloch, chairman of the BVCA valuation committee, said application of the guidelines "is vital if confidence in venture capital is to grow and meaningful statistics on the industry are to be produced."**

**Valuation of venture capital vehicles has often been highly judgemental, leading sometimes to one investment being ascribed widely different values by two investing partners' accounts. In some cases, venture capitalists have left an investment in their books at an unchanged valuation after it hit trouble, because in their view the businesses would recover.**

**The new guidelines, therefore, call for provisions to be made when there has been a "diminution in value" – the wording "permanent diminution" was previously used.**

**The BVCA says the adopted principles and procedures should be disclosed. The venture capitalist is also required to give more information from the annual accounts of the largest holdings.**

**They will also have to compare the aggregate of all realisations, including receiverships, with the aggregate valuation in the investor's last accounts.**

# Jessups makes sharp upturn

By Reg Vaughan

JESSUPS, the Romford, Essex-based motor dealer, yesterday announced a sharp upturn in pre-tax profits from £317,000 to £547,000 for the six months ended August 31 1993.

This represents the second part of a 16 months accounting period and takes the profit total for 12 months to £707,000 compared with £506,000, on turnover up from £75.85m to £92.1m. This compares with a peak of £2.8m in 1988-89.

Mr Ron Joseph, managing director, said profit prospects looked pretty good, but that there was "really no pattern to the economic pick up." He thought there was some pre-budget concern from the public that was holding back car purchases, but on the whole he was bullish about prospects.

Mr Joseph said that the cost of dealership closures, management changes and start up costs would probably total between £300,000 and £400,000. The group's franchises presently cover Ford, Volvo, Peugeot, Rover, Nissan and Saab.

The directors said that given the current state of the market, they had adopted a cautious approach to dividend policy. The second interim dividend is the same as the first at 1.5p. The total for last year was 4.5p.

After-tax profits come through at £435,000 (£474,000) and basic earnings per share at 0.54p (1.05p) affected by a more normal tax charge for the year.

# Ward Thomas is Yorkshire TV chief

By Raymond Snoddy

THE BOARD of Yorkshire-Tyne Tees Television yesterday confirmed that Mr Ward Thomas is to be group chairman of the ITV company.

Mr Ward Thomas, who helped to found Yorkshire, was appointed acting chairman on Monday following the resignation of Mr Clive Leach.

Following a board meeting yesterday it was made clear that Mr Thomas will manage the group, which has announced it will probably incur pre-tax losses for the year to September 1992-93, with a small committee.

Apart from the chairman the other two members of the committee will be Mr John Fairley, managing director of Yorkshire Television and Mr John Calvert, managing director of Tyne Tees.

It is possible that the executive committee could continue to run the group for some time and it is not certain that a separate chief executive will be appointed.

# Ashley in court move over Spanish claim

By Peggy Hollinger

ASHLEY Group, the once lossmaking window blinds and timber company, which recently returned to profit expects to take its legal battle to reclaim £20m, for the sale of a Spanish subsidiary, to the courts before the end of this month.

The company said yesterday that a court date would be set within the next few days. Mr James White, chairman, said he was confident the court case would be decided before the end of the year.

Ashley sold Digsa, its Spanish supermarket business, in May for £53m to the Hong Kong-based group, Parafax. Of this, £33m was debt with the remainder to be paid in four equal instalments, the first payment being due last week.

The deferred payment was secured on certain assets, which Ashley claims could be repossessed if Digsa sought protection from creditors similar to Chapter 11 in the US. Digsa did so in September and Ashley is launching legal action to reclaim the assets.

Mr White said yesterday he would not even consider the possibility that the courts could find in Parafax's favour.

Ashley reported interim profits of £1.6m in September, after losses, largely incurred on the Spanish retailing side, of £13.8m.

Three directors associated with the Spanish diversification left the company last month.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Jessups | int | 1.5♠ | Jan 7 | 1.5 | - | 4.5 |
| Jupiter Euro | fin | 1.1 | Dec 20 | 0.1 | 2.1‡‡ | 0.1 |
| Sketchley | int | 1 | Dec 23 | 1 | - | 3 |
| Somic | int | 1 | Feb 8 | nil | - | 1.5 |
| Unilever | int | 6.08 | Dec 30 | 5.2 | - | 21.33 |
| Unilever NV | int | 1.48‡ | Dec 30 | 1.48 | - | 5.78 |

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Dutch guilders. ‡‡For 16 months.♠Making 3p to date

## LONDON RECENT ISSUES

### EQUITIES

| Issue Price | Amount Paid up | Latest Renunc. Date | 1993 High | 1993 Low | Stock | Closing Price | +/- | Net Div. | Times Cov'd | Gross Yield | P/E Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| §140 | F.P. | - | 165 | 140 | Abacus | 162 | -1 | N3.5 | 2.8 | 2.7 | 22.0 |
| - | F.P. | - | 94 | 88 | Abtrust Emrg Economies | 91 | | - | - | - | - |
| - | F.P. | - | 52 | 46 | Do Warrants | 51 | +½ | - | - | - | - |
| 170 | F.P. | - | 186 | 178 | Allders | 181 | -2 | WN5.1 | 2.2 | 4.2 | 13.5 |
| 170 | F.P. | - | 178 | 162 | BSM | 162 | -1 | W5.75 | 0.7 | 4.5 | 41.6 |
| 100 | 50 | - | 62 | 52 | B2W Endowment Fund | 52 | -1 | - | - | - | - |
| §490 | F.P. | - | 475 | 435 | Cantab Pharmaceuticals | 435 | -8 | - | - | - | - |
| 125 | F.P. | - | 168 | 125 | CentreGold | 159 | | - | - | - | - |
| 110 | F.P. | - | 110 | 101 | Charles Sidney | 103 | | LN2.8 | 2.7 | 1.7 | 28.5 |
| 100 | F.P. | - | 114 | 102 | Cleveland Trust | 110 | | LN3.5 | 2.2 | 4.2 | 13.1 |
| - | F.P. | - | 30 | 10 | Coal Invs. | 14½ | | uN5.28 | 0.8 | 4.8 | 21.5 |
| - | F.P. | - | 142 | 135 | Crest Packaging | 136 | | - | - | - | - |
| 100 | F.P. | - | 102 | 98 | Dellon Lloyds Inv. Tst. | 99 | | W3.65 | 2.1 | 3.4 | 17.4 |
| 100 | F.P. | - | 99½ | 91 | Fleming Chinese Inv Tst | 98½ | +1½ | - | - | - | - |
| - | F.P. | - | 59 | 53 | Do. Warrants | 56 | | - | - | - | - |
| - | F.P. | - | 56 | 51 | For & Col Emer Mkts Wts. | 55 | | - | - | - | - |
| - | F.P. | - | 111 | 103 | Gartmore Shared Equity | 100 | | W8.6 | - | 11.1 | - |
| - | F.P. | - | 104¾ | 100¾ | Do. Zero Div. Pf. | 102¾ | | - | - | - | - |
| 100 | F.P. | - | 102 | 98 | HCG Lloyds Inv. Tst. | 100 | +1 | - | - | - | - |
| 100 | F.P. | - | 96 | 87 | HTR Japanese Smaller | 92 | +½ | - | - | - | - |
| - | F.P. | - | 54 | 42 | Do Warrants | 48 | | - | - | - | - |
| 100 | F.P. | - | 111 | 102 | Mercury Select Ins. | 109 | | - | - | - | - |
| - | F.P. | - | 16 | 10 | Lon. Fin & Inv Wrts. | 14 | | - | - | - | - |
| §120 | F.P. | - | 126 | 127 | Paddleton Leisure | 135 | | - | - | - | - |
| - | F.P. | - | 424 | 315½ | Rothmans Intl. Units | 418 | -2 | W4.35 | 2.0 | 4.0 | 15.5 |
| 230 | F.P. | - | 253 | 241 | Roxboro | 245 | -2 | W12.57 | 2.5 | 3.7 | 13.1 |
| §230 | F.P. | - | 322 | 300 | Scotia | 300 | -1 | NRT 9 | 5.7 | 1.0 | 19.3 |
| 135 | F.P. | - | 141 | 141 | Smaller Co's Inv Tst C | 141 | | - | - | - | - |
| §190 | F.P. | - | 198 | 192½ | Towry Law | 193 | -2 | - | - | - | - |
| - | F.P. | - | 339 | 311½ | Vendome Luxury Uts. | 314 | -3 | LN4.6 | 2.2 | 3.0 | 18.9 |
| §170 | F.P. | - | 325 | 295 | Virtuality Group | 255 | | W37.68 | 2.8 | 2.0 | 14.5 |
| - | F.P. | - | 4½ | 3 | Wiggins | 3½ | -½ | - | - | - | - |

## RIGHTS OFFERS

| Issue Price p | Amount Paid up | Latest Renunc. Date | 1993 High | 1993 Low | Stock | Closing Price p | + or - |
|---|---|---|---|---|---|---|---|
| 280 | Nil | 9/12 | 46pm | 37pm | Ashtead | 42pm | |
| 370 | Nil | 12/11 | 65pm | 35pm | Black | 26pm | -6 |
| 85 | Nil | 23/11 | 13pm | 5pm | J-Comac | 6pm | +1 |
| 63 | Nil | 14/12 | 8pm | 4pm | Elliott (B) | 4pm | -2 |
| 35 | Nil | 13/12 | 1¾pm | ¾pm | Eng & Overseas Props | 1½pm | +¼ |
| ¼ | Nil | 23/12 | 1¾pm | ½pm | Ferrocast | 1pm | |
| 3¼ | Nil | 23/12 | ½pm | ¼pm | IMC Invs. | ½pm | |
| 486 | Nil | 24/11 | 86pm | 70pm | Slebe | 70pm | -4 |
| 195 | Nil | 12/11 | 28½pm | 5½pm | Takare | 8pm | |
| 2½ | Nil | 10/12 | ¼pm | ¼pm | Wadworth | ¼pm | |
| 15 | Nil | 27/11 | 3pm | 3pm | Wescol | 3pm | |
| 375 | Nil | 25/11 | 47pm | 40pm | Wilson Bowden | 42pm | +1 |
| 152 | Nil | 14/1 | 23pm | 23pm | Wyevale Garden Centres | 23pm | |

pm Price at a premium. For other notes please refer to the Guide to the London Share Service.

## TRADITIONAL OPTIONS

- First Dealings Nov. 8
- Last Dealings Nov. 19
- Last Declarations Feb. 10
- For settlement Feb. 21

*3-month call rate indications are shown on page 11.*

Calls: Aminex, Automagic, Avesco, Betterware, Birnec, Charles Sidney, Kewill Systems, Lloyds Bank, Medeva, Micro Focus, Mining & Allied, Proteus, Ramco. Puts: Avesco, Automagic, NFC, Palon.



## NEWS DIGEST

### Gartmore offer fully subscribed

THE PUBLIC offer of 15.76m shares in Gartmore, the UK's fourth largest pension fund management company, has been fully subscribed. Banque Indosuez, the French bank, is raising £75.7m via the sale of a 25 per cent stake in Gartmore.

Valid applications for a total of 18.12m shares were received which represented a total value of £30.4m at the offer price of 168p each.

After preferential arrangements for eligible employees in respect of 524,450 shares, allocations were: 200 to 2,000 shares applied for – 100 per cent; 2,500 to 10,000 – 90 per cent; 12,000 to 20,000 – 80 per cent; 25,000 and over – 70 per cent. A total of 29.27m shares, representing a total value of £49.2m at the 168p price, were placed on November 4.

### Elan Corp moves up to Official List

Elan Corporation, the Irish drug delivery company, is moving from the USM to the Official List in Dublin and London. Dealings are expected to begin on Thursday, November 18.

### Jupiter net assets rise at 16 months

Net assets per share of Jupiter European Investment Trust amounted to 89.4p at the end of 16 months to August 31 1993, compared with 86.02p four months earlier.

Net revenue surged from £14,247 for the year ended April 30 1992 to £509,224 giving earnings of 4.54p (0.24p) per share. The dividend is stepped up to 2.1p net (0.1p) with a final for the 16 months of 1.1p.

### Drayton Korea net asset value higher

Drayton Korea Trust reported net asset value of 113.26p at September 30, against 108.14p six months earlier.

In the six months to the end of September net revenue was 85,000 compared with £152,000 for the period from its starting operation on December 3 1991 to September 30 1992. Earnings per share were 0.36p (0.66p).

### Pittencrieff in reconstruction talks

Pittencrieff, the oil and gas concern, is in talks with its subsidiary, Pittencrieff Communications, which may lead to a reconstruction.

The board said that it had for some time been examining various ways of securing maximum value for its shareholders, and would notify shareholders as soon as possible in the event of any further developments. The shares closed 4p up at 439p yesterday.

### Daks Simpson surges to £1.21m

Daks Simpson Group, the clothing maker which was acquired by Sankyo Seiko in 1991, announced a surge in pre-tax profits from £88,000 to £1.21m for the six months to July 31. Turnover amounted to £30.3m against £29.2m.

Earnings per share worked through at 9.82p (3.19p).


## ECONOMIC DIARY

**TODAY:** National Savings results (Oct); Asian Pacific Economic Co-operation meeting, Seattle – President Clinton and Asian leaders attending.
**MONDAY:** European Union budget ministers meet to juggle next year's budget; deadline for changes to draft Uruguay Round agreement; plenary session of European Parliament in Strasbourg; German Chancellor Helmut Kohl visits Beijing; Apec senior officials meet to prepare for ministerial meeting; final results – Telegraph (3rd qtr).
**TUESDAY:** Public sector borrowing requirement (Oct); UK acquisitions and mergers (3rd qtr); EU agriculture ministers begin two-day meeting, to include debate on set-aside; Japan's trade statistics (Oct); final results, General Accident (3rd qtr).
**WEDNESDAY:** Retail prices index (Oct); retail sales (Oct); financial statistics (Oct); capital expenditure, stocks and work in progress (3rd qtr-prov); overseas earnings from royalties (1990, 1991 and provisional data for 1992); Apec meeting; German markets closed; final results – Commercial Union (3rd qtr), Thomson Corp (3rd qtr).
**THURSDAY:** Large British banking groups' monthly statement (Oct); provisional estimates of monetary aggregates (Oct); building societies monthly figures (Oct); Labour market statistics: unemployment and unfilled vacancies (Oct-prov); average earnings indices (Sep-prov); employment, hours, productivity and unit wage costs; industrial disputes; includes long-term unemployment (quarterly analysis of unemployment by age and duration) (Oct); provisional figures for vehicle production (Oct); machine tools (Sep); EU industry ministers meet for talks on steel industry restructuring plan; final results – British Gas (3rd qtr);
**FRIDAY:** Balance of trade with countries outside the EU (Oct); UK output, income, and expenditure (3rd qtr); President Clinton to meet individually with leaders of Apec member countries, including Chinese president Jiang Zemin; Japan's wholesale price indices (Oct).

## LIFFE EQUITY OPTIONS

| Option | | Calls Nov | Calls Feb | Calls May | Puts Nov | Puts Feb | Puts May |
|---|---|---|---|---|---|---|---|
| Pilkton (*142) | 140 | 9 | 17 | 22 | 8½ | 14 | 20½ |
| | 160 | 3 | 9½ | 15 | 25 | 27 | 34 |
| Brit Aero (*480) | 420 | 20½ | 43½ | 54 | 8½ | 33 | 37½ |
| | 460 | 3 | 24½ | 26½ | 34½ | 52½ | 61 |
| BAT Inds (*511) | 500 | 18½ | 38 | 48½ | 5 | 18½ | 28 |
| | 550 | 6 | - | - | 18 | - | - |
| British Gas (*315) | 300 | 21 | 29 | 22½ | 4 | 7½ | 13 |
| | 330 | 4½ | 12 | 16½ | 18½ | 20 | 29 |
| Dixons (*278) | 280 | 25½ | 34½ | 41 | 5½ | 13½ | 17½ |
| | 280 | 13½ | 23½ | 30 | 13½ | 22½ | 27 |
| Eurotunnel (*446) | 420 | 44 | - | - | 11 | - | - |
| | 460 | 20½ | - | - | 29 | - | - |
| Hillsdown (*146) | 140 | 10½ | 17 | 19½ | 4½ | 9 | 14½ |
| | 160 | 2½ | 8 | 11 | 16 | 21½ | 26 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Index option | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Jan | 22½ | 29 | 40 | 53½ | 73½ | 99 | 129 | 166 |
| Feb | 31 | 41 | 51 | 65½ | 85 | 109 | 139 | 173 |
| Jun †54½ | - | 82½ | - | 120 | - | 173 | - | |

November 12 Total Contracts 53,332
Calls 32,370 Puts 20,962
FT-SE Index Calls 4,145 Puts 9,050
Euro FT-SE Calls 5,559 Puts 7,299
*Underlying security price. †Long dated expiry months.
Equity premiums are based on closing offer prices.
Index options are settlement prices

## TRADITIONAL OPTION 3-month call rates

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ■ INDUSTRIALS | p | Cadburys | 33 | HSBC (75p shs) | 54 | Ratners | 4 | Brit Land | 33 |
| Allied-Lyons | 45 | Charter Cons. | 55 | Hanson | 17 | Reed Intl | 52 | Land Sec. | 53 |
| Amstrad | 5¼ | Comm Union | 46 | ICI | [illegible] | Sears | 7½ | MEPC | 37 |
| Astec (BSR) | 3¼ | Courtaulds | 42 | Ladbroke | 15 | SmKl Bchm A | 34 | ■ OILS | |
| BAT Inds | 39 | Eurotunnel | 40 | Legal & Gen | [illegible] | TI | 28 | Arcon Intl. | 6 |
| BOC | 49 | FKI | [illegible] | Lex Service | 34 | TSB | 15 | Aviva Pet | 9 |
| BT | 28 | FNFC | 9 | Lloyds Bank | 45 | Tesco | 17 | BP | 23 |
| BTR | 28 | Forte | 17 | Lonrho | 10½ | Thorn EMI | 75 | Burmah Castrol | 60 |
| Barclays | 38 | GKN | 40 | Lucas Inds | [illegible] | Tomkins | 18 | Premier Cons | 2½ |
| Blue Circle | 21 | Gen Accident | 52 | Marks Spencer | 27 | T & N | 18 | Shell | 46 |
| Boots | 40 | GEC | 25 | NatWest Bank | [illegible] | Unilever | [illegible] | ■ MINES | |
| Bowater | 37 | Glaxo | 40 | P & O Dfd | 50 | Vickers | 12 | RTZ | 52 |
| Brit Aerospace | 26 | Grand Met | 36 | Racal Elect | [illegible] | Wellcome | [illegible] | | |
| British Steel | 10 | GRE | 17 | Rank Org | 63 | ■ PROPERTY | | | |

## FT FIXED INTEREST INDICES

| | Nov 12 | Nov 11 | Nov 10 | Nov 9 | Nov 8 | Year ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Govt.Secs.(UK) | 102.74 | 102.62 | 102.58 | 102.61 | 102.38 | 94.96 | 103.60 | 93.28 |
| Fixed Interest | 123.35 | 123.32 | 123.28 | 123.12 | 122.92 | 110.09 | 126.20 | 108.67 |

* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)
Basis 100 Government Securities 15/10/26. Fixed Interest 1928.

## GILT EDGED ACTIVITY

| | Gilt edged bargains* | 5-Day Average |
|---|---|---|
| Nov 11 | 97.8 | 128.4 |
| Nov 10 | 124.9 | 127.0 |
| Nov 9 | 205.6 | 119.8 |
| Nov 8 | 101.6 | 86.3 |
| Nov 5 | 112.7 | 95.4 |

* SE activity indices rebased 1974

# COMMODITIES

## WEEK IN THE MARKETS

# Traders nervous ahead of Opec talks

PROBLEMS for the Organisation of Petroleum Exporting Countries continued to pile up this week. The oil price fell to its lowest point since the Gulf war at one point on Thursday. Then came reports that Saudi Arabia might consider cutting the production ceiling set in late September by Opec, and this helped to lift the price of Brent blend for December from the four-year low of $15.20 a barrel. But late yesterday in London the price was still only $15.47½.

The markets also strengthened on Thursday because of a vote by the United Nations Security Council to impose new sanctions on Libya. The sanctions are designed to gradually erode the country's export capacity, and could affect the its ability to export oil. However, analysts said the uncertainty over Libyan exports could help to underpin the oil prices temporarily.

The International Petroleum Exchange in London recorded a new peak in Brent crude futures on Thursday as the price collapsed. Some 79,657 contracts were traded, representing an increase of 14 per cent over the previous record set in September 1993. In addition, total futures volume, including products, rose to a record 104,161 from the previous high of 102,530 set on August 19 this year.

Traders remain very nervous ahead of the next Opec ministerial meeting in Vienna on November 23 in case some producers actually take notice of the various pleas for restraint echoing around the oil world. For example, Mr Rehda Malek, the Algerian prime minister, was quoted by a newspaper in the United Arab Emirates on Thursday as saying that oil producers "should show greater restraint" in order to boost prices.

Opec's economic commission meets next Monday to discuss its forecast for short-term demand. It will prepare a report for Opec ministers that is expected to show a continuing decline in demand for Opec oil. "You don't have to be a wizard to understand. What we have here is a combination of seasonal factors, weak world demand and stepped-up, non-Opec production," an Opec official said.

Coffee prices slipped by $13 a tonne in London to $1,212 a tonne yesterday as traders expressed scepticism over Brazil's commitment to the producers' retention scheme. Brazil has only managed to buy 25,250 bags at three auctions – a tenth of what was needed under the scheme. Brazilian officials said yesterday they already held more than 1m bags in collateral against loans made to producers, and that coffee will now be counted towards the retention scheme. The loans were due to be repaid by the end of October, but have been rescheduled to December 15.

"Brazil has probably complied with the letter, but not the spirit of the retention scheme," said Mr Lawrence Eagles at GNI, the London brokers. If the loans are paid off by December and Brazil hands back the coffee held as collateral, it will need to have been extremely active in the market to replace that coffee. Mr Eagles calculates that Brasilia will have to purchase 100,000 bags a week in the next two months if it is to replace that coffee. Given the limited success of the auction system so far, some traders are sceptical that this will happen.

Brazilian coffee traders told Reuters news agency they were upset at being "deceived" by the government over its auction plans. The news caused a sell-off in the coffee market with prices expected to go lower unless the Brazilian government is seen buying heavily in coming weeks.

| LME WAREHOUSE STOCKS (As at Thursday's close) tonnes | | |
|---|---|---|
| Aluminium | +7,400 | to 2,327,275 |
| Copper | -7,775 | to 592,800 |
| Lead | -525 | to 238,625 |
| Nickel | -594 | to 116,656 |
| Zinc | +1,075 | to 845,850 |
| Tin | -390 | to 18,645 |

Other traders criticised the retention scheme plans as being ill thought-out, but said the Brazilians needed just a few more weeks to get their act together. "It's giving a bad impression to the market because the mechanics haven't been thought through," said Mr Eagles, "but I have no doubt that Brazil is not committed to the scheme."

The sugar market slumped on Tuesday following a dramatic sell-off in the New York market. Traders put the price drop down to technical selling by New York fund managers, with prices falling to $279 a tonne on the London Commodity Exchange from $286.60 a tonne. The market stabilised at the lower level during the rest of the week.

Analysts were split in opinion about the significance of a fall in total London Metal Exchange stocks by 149 tonnes revealed yesterday – the first such fall for about a year.

With total stocks at about 4.25m tonnes, a lot more metal would have to be removed before there was any solid proof that demand was improving, one dealer pointed out. However, others suggested that the efforts some producers were making to cut production were at last bearing some fruit.

Nickel producers have been at the forefront, and yesterday Sumitomo of Japan joined the list of those planning production cuts. It said that in the second half of its present financial year it would hold its nickel output down to 16,900 tonnes compared with the 17,159 tonnes produced in the same period a year ago and 18,065 tonnes in the first half.

Unfortunately, any upward pressure this might have put on the price was offset by Western Mining of Australia, which said its nickel smelter at Kalgoorlie would resume production nine days ahead of schedule on November 17 after a temporary closure for the plant could to be upgraded. The A$61m ($39.30m) scheme has lifted the smelter's capacity from 55,000 to 80,000 tonnes.

By Our Commodities Staff

## FT-ACTUARIES FIXED INTEREST INDICES

| PRICE INDICES | | Fri Nov 12 | Day's change % | Thu Nov 11 | Accrued interest | xd adj. 1993 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | Up to 5 years (24) | 128.62 | +0.07 | 128.92 | 2.01 | 10.63 |
| 2 | 5-15 years (22) | 156.87 | +0.45 | 156.17 | 1.86 | 11.56 |
| 3 | Over 15 years (9) | 178.90 | +0.85 | 177.39 | 2.76 | 10.04 |
| 4 | Irredeemables (6) | 206.82 | +0.31 | 206.17 | 0.86 | 13.47 |
| 5 | All stocks (61) | 152.46 | +0.41 | 151.84 | 2.08 | 10.93 |
| | Index-Linked | | | | | |
| 6 | Up to 5 years (2) | 190.21 | +0.23 | 189.70 | 0.59 | 4.28 |
| 7 | Over 5 years (11) | 186.67 | +0.51 | 185.73 | 1.00 | 4.29 |
| 8 | All stocks (13) | 186.12 | +0.48 | 185.24 | 0.95 | 4.27 |
| 9 | Debs & Loans (68) | 144.11 | +0.52 | 143.37 | 2.32 | 9.75 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Fri Nov 12 | Thu Nov 11 | Year ago (approx.) | 1993 High | | 1993 Low | |
|---|---|---|---|---|---|---|---|---|---|
| | British Government | | | | | | | | |
| 1 | Low | 5 years | 6.06 | 6.11 | 8.55 | 7.22 | 28/4 | 5.95 | 22/10 |
| 2 | Coupons | 15 years | [illegible] | 7.07 | 8.13 | 8.37 | 12/1 | 6.99 | 22/10 |
| 3 | (0%-7¾%) | 20 years | 7.10 | 7.15 | 8.39 | 8.64 | 20/1 | 7.03 | 22/10 |
| 4 | Medium | 5 years | 6.34 | [illegible] | 7.30 | 7.56 | 11/1 | 6.19 | 22/10 |
| 5 | Coupons | 15 years | 7.11 | 7.19 | 8.56 | [illegible] | 19/1 | 7.06 | 22/10 |
| 6 | (8%-10¾%) | 20 years | 7.16 | 7.24 | 8.78 | 9.05 | 20/1 | 7.13 | 22/10 |
| 7 | High | 5 years | 6.47 | 6.49 | 7.54 | 7.76 | 11/1 | 6.35 | 22/10 |
| 8 | Coupons | 15 years | 7.32 | [illegible] | 8.85 | 9.11 | 20/1 | 7.26 | 22/10 |
| 9 | (11%- ) | 20 years | 7.34 | 7.40 | 8.95 | 9.20 | 20/1 | 7.29 | 22/10 |
| 10 | Irredeemables(Flat Yield) | | 7.25 | [illegible] | 8.72 | 9.05 | 20/1 | 7.17 | 21/10 |
| | Index-Linked | | | | | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | [illegible] | 2.39 | 2.35 | 3.03 | 26/5 | [illegible] | 12/2 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.16 | 3.18 | 3.72 | 3.89 | 14/1 | 3.08 | 22/10 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 1.56 | 1.60 | 1.50 | 2.31 | 17/8 | 0.82 | 12/2 |
| 14 | Inflation rate 10% | Over 5 yrs. | 2.90 | [illegible] | 3.53 | 3.72 | 14/1 | 2.91 | 22/10 |
| 15 | Debs & | 5 years | 7.82 | 7.33 | 8.70 | [illegible] | 4/1 | 8.41 | 10/3 |
| 16 | Loans | 15 years | 8.08 | 8.19 | 9.70 | 9.94 | 19/1 | 8.14 | 10/3 |
| 17 | | 25 years | [illegible] | [illegible] | 9.95 | 10.10 | 18/1 | 9.38 | 10/3 |

## INTERNATIONAL COMPANIES AND FINANCE

# Umberto Agnelli quits as deputy chairman at Fiat

By Haig Simonian in Milan

THE long-whispered redistribution of roles within Italy's powerful Agnelli family was confirmed yesterday with the resignation of Mr Umberto Agnelli as deputy chairman of Fiat.

The move is due to be formalised at a special Fiat shareholders' meeting on Monday called to approve changes to group statutes regarding retirement rules for executives.

In September, Mr Agnelli, who was expected to take over as chairman from his elder brother Giovanni (Gianni) next June, suffered the embarrassment of seeing his brother announcing that Fiat would change its retirement rules to allow him (Gianni Agnelli) to stay on for an additional two years as chairman.

The news followed a number of setbacks for Mr Umberto Agnelli, who has always tended to be overshadowed by his better known and more charismatic elder brother.

Observers have for some time been claiming to see cracks in the outwardly solid Agnelli family structure. Apart from Fiat, Italy's biggest private company, the immensely rich family controls Ifi and Ifil, two quoted financial holding companies, and a string of other interests including Turin's Juventus football club.


Umberto Agnelli: stays in charge at holding company Ifil

However, while the latest move may indicate the first step in a separation of interests, clear interpretation of its significance has been masked by other developments.

The most notable is the continuation of the Agnelli family line at Fiat through the appointment of Mr Umberto Agnelli's 29-year-old son Giovanni to the board. The newcomer, who has won his managerial spurs in a number of executive positions outside the group, marks the fourth generation of Agnellis at Fiat following its foundation by the family in 1899.

In a further step, seen by some as a face-saving solution, Mr Umberto Agnelli will take on executive responsibilities as managing director of Ifi. The latter company is the linchpin of the Agnellis' diverse business interests.

He will remain in charge of Ifil, the holding company which under his chairmanship has become one of Italy's biggest corporate success stories in recent years.

The developments leave unchanged the ownership of the family holding company, Giovanni Agnelli & Co, which controls Ifi.

Only in the event of a reorganisation of the former's complex structure might it be possible to decypher the state of relations within the Agnelli family and to what extent, if at all, a divorce is under way between the two brothers.

# Finance officer at Qantas resigns

By Nikki Tait in Sydney

QANTAS, the Australian airline, has lost Mr Graham Jones, its finance director, less than one month after Mr James Strong took over as managing director.

Qantas, in which British Airways holds a 25 per cent stake, announced yesterday that Mr Jones, chief financial officer, had resigned after only 11 months with the company.

It said Mr Jones would leave the carrier at the end of November "to pursue further specialised project roles".

This means Qantas will have changed chairman, managing director and finance director in nine months.

Qantas, which has seen upheavals and management changes recently as its own international operations have been merged with those of the domestic Australian Airlines and the combined entity prepared for privatisation, declined to comment on whether the departure was amicable or not.

However, a formal statement said Mr Jones had joined Qantas "specifically to be involved in the heavy programme of activities leading up to immediate public float of the airline".

"With the deferment [of the flotation] until probably at least early 1995, Mr Jones said he felt he could not make the required commitment to Qantas to stay on for at least a further three to five years, encompassing the float and consequential bedding down process," the airline said.

Mr Jones had joined Qantas in mid-December last year.

Government plans to float the remaining 75 per cent of Qantas have been pushed back several times because of the airline's poor financial results and difficulties in integrating Qantas operations with those of Australian Airlines, a domestic carrier.

Mr Strong said recently that a float in the first half of 1995 was "basically what everybody has broadly in mind at this stage".

Last month, Qantas announced a pre-tax loss of A$413.5m (US$276m) for the year ended June, after abnormal charges – a large part of which related to the merger – of A$446.4m.

Even ahead of these charges, Qantas' operating profit fell to A$32.9m from A$102.6m, while revenues, lifted by the merger, rose to A$5.81bn from A$4.02bn.

# Japanese steel groups slip into red

By Robert Thomson in Tokyo

JAPAN'S five leading steel companies slipped into the red during the six months ended September following the downturn in the domestic economy and steady appreciation of the yen.

Nippon Steel, the world's largest steel producer, reported a pre-tax loss of Y16.7bn ($155m) compared with a profit of Y14.1bn in the same period last year, and the losses would have been more embarrassing if the company had not taken a profit of Y17.6bn on sales of securities.

The pattern of heavy losses and large securities sales was seen at most of the other leading steel groups, which have been in profit for the past six years. They expect the second half will do further damage to their balance sheets.

In response, Kobe Steel announced that it would join other makers in requesting that staff take at least one extra day off each month from January until March. Nippon Steel said executives would take a 15 per cent pay cut from January.

Kobe reported a pre-tax loss of Y8.1bn, in spite of making a profit of Y5.5bn from securities sales. NKK had a loss of Y15.4bn, Kawasaki Steel Y8.3bn, and Sumitomo Metal Industries Y9bn. All had reported profits during the same period last year.

Sumitomo said a cost-cutting drive had not compensated for the weakening of domestic demand and the yen's strengthening. Along with the other makers, Sumitomo will not pay an interim dividend.

The losses this year have raised questions about the steel companies' diversification into computers and semiconductors, as well as forays into theme parks, bicycle manufacturing and mushroom farming.

"As for the electronics, new materials and biomedical divisions, efforts shall be concentrated on examining profitability in each field and in identifying where profits can be improved as quickly as possible," Sumitomo said.

For NKK, which had profits of Y2.4bn on the sale of fixed assets and another Y14.5bn from securities, the bright spot was that the company was not forced to report a loss on the redemption of convertible bonds, which cost it Y4.7bn in the same period last year.

The industry was fortunate in the first half to have strong export demand from China, but Beijing's attempts to slow an overheated economy have led to a fall in orders for Japanese steel over the past two months.

Kobe said demand from China earlier in the year had "increased remarkably", and the ratio of export sales to net sales rose to 19.1 per cent from 16.5 per cent in the same period last year.

Nippon Steel said the "Japanese economy was shoved into deeper recession by the continuing stagnation in private industry investment and consumer spending", along with the yen's rise against the dollar.

"Further decreases in steel production and shipments are feared as domestic demand in all fields, except public civil engineering projects, will remain dull. Faced with this, Nippon Steel will restructure its mainstay steel operations and steadily promote engineering and new businesses," the company said.

**Big Five Steelmakers First-half results to September**

| | Sales (Ybn) | Pre-Tax loss (Ybn) |
|---|---|---|
| Nippon Steel | 1,060 | 16.7 |
| NKK | 537 | 15.4 |
| Kobe Steel | 545 | 8.1 |
| Kawasaki Steel | 522 | 8.3 |
| Sumitomo Metal Industries | 508 | 9.0 |

Source: Company reports

# Philip Morris upgraded after increasing its cigarette prices

By Frank McGurty in New York

SHARES in Philip Morris rose sharply yesterday after the US tobacco, beer and food group said it would raise wholesale cigarette prices by 4 cents a pack, matching an increase announced by RJR Reynolds earlier this week.

In anticipation of the Philip Morris announcement, three Wall Street securities houses – Goldman Sachs, Salomon Brothers and Bear Stearns – upgraded their ratings on the stock and increased their earnings estimates for the company, which markets Marlboro, the world's best-selling cigarette brand.

Afterwards the share price, which had climbed a day earlier on expectations that the company would follow RJR's lead, rose $1¼ to $58⅞ in morning trading on Wall Street.

The move signals the cessation of a cigarette price war which began in April when Philip Morris announced that it was cutting the prices of its premium brands by 40 cents a pack as part of a plan to stem the surging popularity of discount cigarettes.

The strategy appears to have succeeded in shoring up the Marlboro's market share, which currently stands at about 25 per cent, against a low of 21.5 per cent before the price cut.

However, the pricing decision, which was soon followed by other cigarette manufacturers, has led to squeeze on earnings.

Last month, Philip Morris posted a 24.8 per cent decline in third-quarter net income to $971m and said it expected its difficulties to continue in the fourth quarter.

In upgrading his rating for Philip Morris, Mr Marc Cohen of Goldman Sachs said his estimate of 1993 earnings was unchanged at $4.65 a share, against $5.65 last year.

However, he raised his 1994 profits estimate by 15 cents to $5.20.

At Salomon, Ms Diana Temple lifted her 1994 estimate to $5.25, from $5.05.

# Anglo-Swedish steelmaker drops into loss

By Christopher Brown-Humes in Stockholm

AVESTA Sheffield, the Anglo-Swedish stainless steel producer, slipped into a SKr105m ($13m) loss after financial items for the first nine months of 1993, after failing to sustain an improving results trend in the third quarter.

The group blamed holiday production stoppages for a third-quarter deficit of SKr61m, which followed a second-quarter profit of SKr5m. It did not provide comparative figures because the company was only formed through a merger between Avesta and British Steel Stainless last November. The deal left British Steel with a 40 per cent stake in Avesta Sheffield.

The short-term market outlook remains very uncertain, the group warned, not least because of the volatile nickel price and weaker European prices for cold rolled products.

However, it is still predicting a better result for the full year than last year's SKr354m loss due to cost-reductions and the weaker Swedish and UK currencies. Sales amounted to SKr10.68bn for the nine months. The group's biggest division, cold rolled sheet and plate, made a SKr158m operating profit on sales of SKr5.38bn.

It was helped by higher exports to the US and Asia Pacific which offset the downturn in demand in Europe.

# Karstadt deal offers windfall gain

By David Waller in Frankfurt

DEUTSCHE Bank and Commerzbank, two of Germany's big three banks, are likely to raise as much as DM750m ($440m) each from the sale of shareholdings in Karstadt, Germany's largest department store group.

The sale is part of the complex transaction whereby Karstadt will acquire control of Hertie, the third biggest department store group, to create a group with turnover of DM27bn.

The transaction, widely expected in Germany, was announced formally yesterday.

Mr Ulrich Cartellieri, a main board director of the Deutsche Bank and chairman of the Karstadt supervisory board, said yesterday that Deutsche Bank's stake in the enlarged group would "not fall below 10 per cent" from its current 25 per cent level.

Under the deal, Karstadt will buy the whole of Hertie from its current shareholders, chiefly a charitable foundation whose main purpose is to support research into the causes of multiple sclerosis. The foundation will use the proceeds from the sale to finance the purchase of shares in Karstadt from the banks, leaving the Hertie foundation as the largest shareholder in the enlarged group.

Pricing details remain confidential, Mr Cartellieri said yesterday, but it seems likely that the shares will be sold at more than the current market price of Karstadt's shares.

As the group has a market capitalisation of DM5.2bn, the sale of the two 15 per cent stakes would thus raise at least DM750m before tax for each of the banks. This will bring a windfall gain to the two banks' 1994 profits.

Mr Walter Deuss, Karstadt's chief executive, said there would be no need for a rights issue to finance the purchase of Hertie. Analysts suggest that Hertie will be sold for DM1.5bn to DM1.8bn.

The merger, which is subject to approval from Germany's federal cartel authorities, takes place against a background of falling consumer spending and a long-term decline in department stores' segment of the market. The two companies said they would capitalise on opportunities to rationalise their activities.

The banks' move to sell the bulk of their stakes in Karstadt comes ahead of Deutsche Bank's imminent sale of a DM1bn part of its 28 per cent holding in Daimler-Benz.

# Astra lifted by stronger sales

By Christopher Brown-Humes

POWERFUL sales growth helped Astra, the Swedish pharmaceuticals group, lift pre-tax profits by 69 per cent to SKr5.78bn ($713m) in the first nine months.

The figure was higher than expected, helping the group's A shares to rise SKr3 to SKr170.

Sales for the latest period rose 43 per cent to SKr16.1bn, due to a 20 per cent increase in volumes and the effects of a weaker Swedish krona.

Operating profits at SKr4.73bn were 54 per cent ahead. However, the pre-tax rise was even bigger as the weaker krona helped to swell financial income to SKr985m from SKr288m.

Sales were up 50 per cent in the UK and 58 per cent in France.

In Germany, the company's largest single market, there was a 5 per cent downturn, reflecting the country's general healthcare cost-containment squeeze.

Losec, the anti-peptic ulcer agent, again dominated the performance, with a 65 per cent rise in sales to SKr5.06bn.

Total sales, including those through licensees, were up 64 per cent at SKr9.10bn.

Pulmicort, Astra's anti-asthma agent, saw a 54 per cent increase in sales to SKr2.08bn.

The group said full-year sales growth would continue at the same level as in the first nine months.

However, it reiterated previous warnings that profits growth would be slower over the rest of the year because of the effect that currency gains had on the final-quarter performance in 1992.

# Hong Leong buys finance unit

By Kieran Cooke in Kuala Lumpur

THE Hong Leong group, one of south-east Asia's biggest conglomerates, has extended its interests in banking and finance with the M$1.1bn ($423m) takeover of the banking and finance units of Malayan United Industries (MUI).

MUI is selling its banking group for M$695m cash to the Hong Leong Credit company and its MUI finance unit to Bedford, another Hong Leong company, for M$405m in cash.

The Hong Leong group is controlled by Mr Quek Leng Chan, a Malaysian Chinese and one of Malaysia's wealthiest businessmen.

Mr Quek, who is said to have strong connections with some of Malaysia's senior politicians, had been trying to gain control of a local bank to complement his manufacturing, property and financial interests.

## WORLD COMMODITIES PRICES

| WEEKLY PRICE CHANGES | Latest prices | Change on week | Year ago | High 1993 | Low 1993 |
|---|---|---|---|---|---|
| Gold per troy oz. | $375.20 | -1.55 | $335.45 | $405.75 | $326.05 |
| Silver Per troy oz | 306.50 | +3.00 | 244.50p | 382.50p | 236.00p |
| Aluminium 99.7% (cash) | $1056.00 | +9.75 | $1151.5 | $1240.00 | $1023.50 |
| Copper Grade A (cash) | $1643.5 | -10.0 | £1365.0 | $2375.00 | $1108.50 |
| Lead(cash) | $397.0 | -2.5 | £293.00 | $460.00 | $361.50 |
| Nickel (cash) | $4537.5 | -185.0 | $5427.5 | $6340 | $4043.5 |
| Zinc SHG (cash) | $937.5 | - | $1019.0 | $1112 | $868.0 |
| Tin (cash) | $4665.0 | -95.0 | $5790.0 | $6047.5 | $4340.0 |
| Cocoa Futures (Mar) | £971 | +34 | £758 | £976 | £653 |
| Coffee Futures (Jan) | $1210 | -20 | $959 | $1297 | $836 |
| Sugar (LDP Raw) | $258.5 | -16.8 | $224.6 | $317.4 | $204.5 |
| Barley Futures (Jan) | £103.85 | +0.60 | £130.35 | £110.30 | £101.50 |
| Wheat Futures (Jan) | £100.50 | +1.40 | £132.20 | £149.45 | £100.10 |
| Cotton Outlook A Index | 55.00c | +0.85 | 62.15c | 82.35c | 54.16c |
| Wool (64s Super) | 363p | +2 | 416p | 403p | 319p |
| Oil (Brent Blend) | $16.605x | | $19.225 | $19.53 | $15.605 |

Per tonne unless otherwise stated. p-pence/kg. c-cents lb. x-Jan.

### London Markets

**SPOT MARKETS**

| Crude oil (per barrel FOB)(Dec) | | + or - |
|---|---|---|
| Dubai | $13.85-3.95z | -0.41 |
| Brent Blend (dated) | $14.81-4.84 | -0.475 |
| Brent Blend (Jan) | $15.60-5.61 | -0.465 |
| W.T.I (1 pm est) | $16.60-6.62z | -0.46 |

| Oil products (NWE prompt delivery per tonne CIF) | | + or - |
|---|---|---|
| Premium Gasoline | $170-172 | -2 |
| Gas Oil | $167-169 | -1.5 |
| Heavy Fuel Oil | $62-64 | |
| Naphtha | $147-150 | -2 |
| Petroleum Argus Estimates | | |

| Other | | + or - |
|---|---|---|
| Gold (per troy oz)♣ | $375.20 | -1.05 |
| Silver (per troy oz)♣ | 453.50c | -1.0 |
| Platinum (per troy oz) | $377.75 | |
| Palladium (per troy oz) | $129.25 | +0.25 |
| Copper (US Producer) | 80.0c | |
| Lead (US Producer) | 33.88c | |
| Tin (Kuala Lumpur market) | 11.75r | -0.25 |
| Tin (New York) | 217.50c | +3.50 |
| Zinc (US Prime Western) | Unq | |
| Cattle (live weight)† | 118.70 | -2.04* |
| Sheep (live weight)†♠ | 85.85p | +4.54* |
| Pigs (live weight)† | 72.23p | +1.66* |
| London daily sugar (raw) | $258.5 | +1.3 |
| London daily sugar (white) | $287.0 | -1.0 |
| Tate and Lyle export price | $286.0 | +0.5 |
| Barley (English feed) | Unq | |
| Maize (US No. 3 yellow) | £120.5 | |
| Wheat (US Dark Northern) | £175.0 | |
| Rubber (Dec)¥ | 60.25p | -0.25 |
| Rubber (Jan)¥ | 60.50p | -0.25 |
| Rubber (KL RSS No 1 Jul) | 207.0m | |
| Coconut oil (Philippines)§ | $465.0v | -5.0 |
| Palm Oil (Malaysian)§ | $362.5u | -5.0 |
| Copra (Philippines)§ | $310.0 | -5.0 |
| Soyabeans (US) | £158.0w | -2.0 |
| Cotton "A" Index | 55.00c | +0.25 |
| Wooltops (64s Super) | 363p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Jan v-Dec/Jan u-Dec t-Jan/Mar w-Nov/Dec ¥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

**CRUDE OIL - IPE** ($/barrel)

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 15.36 | 15.63 | 16.77 | 15.36 |
| Jan | 15.71 | 15.91 | 16.34 | 15.62 |
| Feb | 15.97 | 16.17 | 16.32 | 15.88 |
| Mar | 16.08 | 16.35 | 16.49 | 16.08 |
| Apr | 16.43 | 16.64 | 16.63 | 16.43 |
| May | 16.60 | 16.83 | 16.60 | |
| Jun | 16.71 | | 16.72 | 16.71 |
| Aug | 17.00 | 16.87 | 17.00 | |
| IPE Index | 15.31 | 15.50 | | |

Turnover 41167 (79667)

**GAS OIL - IPE** ($/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 161.00 | 163.50 | 164.75 | 161.00 |
| Jan | 160.00 | 162.25 | 163.50 | 160.00 |
| Feb | 159.50 | 162.00 | 163.00 | 159.50 |
| Mar | 158.75 | 161.25 | 162.00 | 158.25 |
| Apr | 158.00 | 160.00 | 161.00 | 158.00 |
| May | 158.00 | 159.00 | 160.25 | 158.00 |
| Jun | 158.50 | 160.00 | 160.50 | 158.25 |

Turnover 12495 (24384) lots of 100 tonnes

**SUGAR - LCE** ($ per tonne)

| White | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 279.00 | 281.80 | 282.70 | 279.00 |
| Mar | 273.30 | 276.60 | 277.70 | 271.50 |
| May | 276.60 | | 278.80 | 274.00 |
| Aug | 280.90 | | 281.90 | 279.70 |
| Oct | 269.00 | 271.10 | 270.40 | 268.50 |
| Dec | 269.20 | | 270.00 | |

Turnover 2571 (970) Paris- White (FFr per tonne): Dec 1652.55 Mar 1622.08

**SPICES**

The pepper market is going through a period of very limited activity, reports Man Producten. In fact this situation has been lasting for several weeks already and is going to influence source markets. White pepper prices declined this week to a level of about US$2350/mt cif. It looks like we are not far from the stabilization point. Black pepper was offered in larger quantities by India and Brazil. The material could not be absorbed failing industrial demand for nearby positions and prices consequently came under selling pressure. Mg1 black pepper is offered at US$1525 cif and about the same price is valid for Brazil black grade 1.

**No.7 RAW SUGAR - LCE** (cents/lbs)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 10.21 | 10.44 | 10.48 | 10.20 |
| May | 10.51 | 10.75 | 10.73 | 10.51 |
| Jul | 10.82 | 11.08 | 11.01 | 10.80 |

Turnover 137 (199) lots of 50 tonnes.

**COCOA - LCE** (£/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 930 | 931 | 934 | 928 |
| Mar | 971 | 974 | 976 | 965 |
| May | 977 | 985 | 985 | 974 |
| Jul | 977 | 988 | 985 | 976 |
| Sep | 978 | 988 | 985 | 978 |
| Dec | 952 | 966 | 961 | 950 |
| Mar | 959 | 962 | 965 | 956 |
| May | 965 | 966 | 965 | 963 |
| Sep | 977 | 977 | 978 | |

Turnover: 8886 (8852)lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 11 926.09 (914.32) 10 day average for Nov 12 907.34 (907.98)

**COFFEE - LCE** ($/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 1197 | 1209 | 1200 | 1176 |
| Jan | 1210 | 1225 | 1212 | 1180 |
| Mar | 1199 | 1207 | 1198 | 1170 |
| May | 1181 | 1192 | 1180 | 1166 |
| Jul | 1178 | | 1182 | 1167 |
| Sep | 1178 | | 1180 | |

Turnover: 3920 (2289) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 11 Comp. daily 68.81 (69.30) 15 day average 69.17 (69.22)

**POTATOES - LCE** (£/tonne)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Apr | 87.5 | 85.4 | 97.5 | 85.5 |
| May | 104.0 | 100.3 | 104.0 | 101.0 |

Turnover 235 (89) lots of 20 tonnes.

**FREIGHT - LCE** ($10/index point)

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 1329 | 1340 | 1340 | 1328 |
| Dec | 1333 | 1347 | 1350 | 1333 |
| Jan | 1335 | 1346 | 1340 | 1335 |
| Apr | 1340 | 1353 | 1355 | 1340 |
| Oct | 1375 | 1375 | 1375 | |
| BFI | 1317 | 1319 | | |

Turnover 123 (145)

**GRAINS - LCE** (£/tonne)

| Wheat | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 100.50 | 100.25 | 100.50 | 100.35 |
| Mar | 102.40 | 102.20 | 102.40 | |
| May | 104.35 | 104.20 | 104.40 | |
| Sep | 91.25 | | 91.25 | |
| Nov | 92.75 | 92.65 | 93.00 | |

| Barley | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 103.85 | 103.60 | 103.90 | 103.60 |
| Mar | 105.90 | 105.65 | 105.80 | 105.65 |
| Nov | 94.65 | | 94.75 | |

Turnover: Wheat 245 (274) Barley 66 (29)
Turnover lots of 100 Tonnes.

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| Aluminium, 99.7% purity ($ per tonne) | | | | | | Total daily turnover 51,612 lots |
| Cash | 1055.5-6.5 | 1046-7 | 1053.5/1052.5 | 1052.5-3.0 | | |
| 3 months | 1076-7 | 1067-7.5 | 1080/1065 | 1073.5-4.0 | 1075.5-6.0 | 269,112 lots |
| Copper, Grade A ($ per tonne) | | | | | | Total daily turnover 34,557 lots |
| Cash | 1643-4 | 1643.5-4.5 | 1645 | 1645-5.5 | | |
| 3 months | 1668.5-7.0 | 1666-7 | 1670/1666.5 | 1667.5-8.0 | 1670.5-1.0 | 199,732 lots |
| Lead ($ per tonne) | | | | | | Total daily turnover 2,091 lots |
| Cash | 396.5-7.5 | 396.5-7.5 | 397 | 397-8 | | |
| 3 months | 410-1 | 410-0.5 | 412/410.5 | 411.5-2.5 | 411.5-2.0 | 25,358 lots |
| Nickel ($ per tonne) | | | | | | Total daily turnover 11,910lots |
| Cash | 4535-40 | 4525-30 | 4580/4575 | 4520-5 | | |
| 3 months | 4592-5 | 4585-90 | 4610/4570 | 4585-90 | 4590-600 | 47,945 lots |
| Tin ($ per tonne) | | | | | | Total daily turnover 1,561 lots |
| Cash | 4660-70 | 4585-90 | 4665/4660 | 4620-5 | | |
| 3 months | 4710-20 | 4635-40 | 4720/4645 | 4674-5 | 4720-30 | 14,427 lots |
| Zinc, Special High Grade ($ per tonne) | | | | | | Total daily turnover 13,772 lots |
| Cash | 937-8 | 935-7 | | 935-6 | | |
| 3 months | 954-5 | 953-4 | 955/948 | 952.5-3.0 | 954-5 | 84,451 lots |

LME Closing £/$ rate: SPOT: 1.4820 3 months: 1.4743 6 months: 1.4681 9 months: 1.4626

LME AM Official £/$ spot rate 1.4765

**LONDON BULLION MARKET** (Prices supplied by N M Rothschild)

| Gold (troy oz) | $ price | £ equivalent |
|---|---|---|
| Close | 375.00-375.40 | |
| Opening | 376.80-377.20 | |
| Morning fix | 376.75 | 254.440 |
| Afternoon fix | 376.75 | 254.303 |
| Day's high | 377.50-377.90 | |
| Day's low | 374.80-375.00 | |

| Loco Ldn Mean Gold Lending Rates (Vs US$) | | | |
|---|---|---|---|
| 1 month | 2.69 | 6 months | 2.72 |
| 2 months | 2.71 | 12 months | 2.74 |
| 3 months | 2.71 | | |

| Silver fix | p/troy oz | US cts equiv |
|---|---|---|
| Spot | 309.65 | 458.00 |
| 3 months | 313.70 | 461.45 |
| 6 months | 317.40 | 464.90 |
| 12 months | 325.50 | 473.85 |

**GOLD COINS**

| | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 378.50-381.50 | 256.00-259.00 |
| Maple leaf | 386.45-388.85 | - |
| New Sovereign | 88.00-91.00 | 59.00-62.00 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Dec | Mar | Dec | Mar |
| 1025 | 54 | 79 | 7 | 13 |
| 1050 | 37 | 62 | 15 | 20 |
| 1075 | 23 | 47 | 26 | 29 |

| Copper (Grade A) | Calls | | Puts | |
|---|---|---|---|---|
| 1625 | 58 | 93 | 19 | 31 |
| 1650 | 43 | 78 | 29 | 41 |
| 1675 | 31 | 64 | 42 | 52 |

| Coffee LCE | Jan | Mar | Jan | Mar |
|---|---|---|---|---|
| 1150 | 80 | 102 | 20 | 54 |
| 1200 | 50 | 76 | 40 | 78 |
| 1250 | 29 | 57 | 69 | 109 |

| Cocoa LCE | Dec | Mar | Dec | Mar |
|---|---|---|---|---|
| 875 | 56 | 114 | 1 | 18 |
| 900 | 33 | 96 | 3 | 25 |
| 925 | 16 | 80 | 11 | 34 |

| Brent Crude | Dec | Jan | Dec | Jan |
|---|---|---|---|---|
| 1600 | 1 | 34 | 53 | 67 |
| 1650 | - | 17 | 100 | - |
| 1700 | - | 9 | - | - |

### New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 373.1 | 375.8 | 0 | 0 |
| Dec | 373.6 | 376.4 | 378.5 | 373.3 |
| Jan | 374.6 | 377.4 | 0 | 0 |
| Feb | 375.6 | 378.4 | 380.5 | 375.3 |
| Apr | 377.4 | 380.2 | 381.8 | 377.8 |
| Jun | 379.2 | 382.0 | 383.6 | 379.4 |
| Aug | 381.0 | 383.8 | 0 | 0 |
| Oct | 382.9 | 385.7 | 384.3 | 384.3 |
| Dec | 384.9 | 387.7 | 389.5 | 385.1 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 363.0 | 363.0 | 0 | 0 |
| Jan | 377.7 | 379.7 | 381.0 | 376.0 |
| Apr | 379.1 | 381.1 | 382.5 | 378.9 |
| Jul | 379.8 | 381.9 | 383.5 | 383.5 |
| Oct | 381.3 | 383.4 | 0 | 0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 450.7 | 454.9 | 0 | 0 |
| Dec | 451.2 | 456.5 | 460.5 | 450.0 |
| Jan | 452.7 | 457.0 | 0 | 0 |
| Mar | 456.0 | 460.2 | 465.0 | 455.0 |
| May | 459.0 | 463.3 | 467.0 | 458.0 |
| Jul | 462.0 | 466.3 | 470.5 | 461.0 |
| Sep | 465.2 | 469.5 | 472.0 | 472.0 |
| Dec | 470.0 | 474.3 | 479.0 | 469.0 |
| Jan | 471.1 | 475.4 | 0 | 0 |
| Mar | 475.2 | 479.5 | 0 | 0 |

**HIGH GRADE COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 74.45 | 74.85 | 74.45 | 74.45 |
| Dec | 74.75 | 75.00 | 75.20 | 74.60 |
| Jan | 74.95 | 75.20 | 0 | 0 |
| Feb | 75.20 | 75.40 | 75.20 | 75.20 |
| Mar | 75.45 | 75.60 | 75.90 | 75.30 |
| Apr | 75.70 | 75.85 | 0 | 0 |
| May | 75.95 | 76.10 | 76.20 | 75.85 |
| Jun | 76.20 | 76.35 | 76.35 | 76.20 |
| Jul | 76.45 | 76.60 | 76.70 | 76.60 |
| Aug | 76.70 | 76.85 | 0 | 0 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 16.58 | 16.90 | 17.02 | 16.42 |
| Jan | 16.91 | 17.19 | 17.30 | 16.76 |
| Feb | 17.15 | 17.41 | 17.48 | 17.05 |
| Mar | 17.40 | 17.59 | 17.65 | 17.27 |
| Apr | 17.44 | 17.73 | 17.76 | 17.40 |
| May | 17.67 | 17.86 | 17.87 | 17.55 |
| Jun | 17.77 | 17.99 | 17.98 | 17.67 |
| Jul | 17.80 | 18.10 | 18.19 | 17.80 |
| Aug | 17.91 | 18.21 | 18.00 | 17.91 |
| Sep | 18.10 | 18.32 | 18.30 | 18.10 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 50.80 | 51.75 | 51.80 | 50.60 |
| Jan | 51.70 | 52.58 | 52.75 | 51.40 |
| Feb | 52.15 | 52.93 | 53.10 | 51.85 |
| Mar | 51.60 | 52.48 | 52.50 | 51.50 |
| Apr | 51.00 | 51.78 | 51.80 | 50.95 |
| May | 50.60 | 51.13 | 51.15 | 50.40 |
| Jun | 50.20 | 50.78 | 50.75 | 50.10 |
| Jul | 50.35 | 50.98 | 51.00 | 50.40 |
| Aug | 51.00 | 51.53 | 51.70 | 51.20 |
| Sep | 52.45 | 52.48 | 52.65 | 52.45 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 1131 | 1129 | 1144 | 1118 |
| Mar | 1191 | 1189 | 1200 | 1178 |
| May | 1209 | 1205 | 1215 | 1200 |
| Jul | 1223 | 1215 | 1231 | 1220 |
| Sep | 1234 | 1230 | 1238 | 1225 |
| Dec | 1247 | 1245 | 1247 | 1234 |
| Mar | 1258 | 1265 | 1250 | 1250 |
| May | 1269 | 1276 | 0 | 0 |
| Jul | 1283 | 1288 | 0 | 0 |
| Sep | 1295 | 1307 | 0 | 0 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 72.90 | 75.00 | 73.50 | 72.00 |
| Mar | 75.70 | 77.75 | 76.30 | 75.20 |
| May | 77.35 | 79.40 | 77.95 | 76.90 |
| Jul | 78.70 | 80.80 | 79.25 | 78.50 |
| Sep | 80.30 | 82.30 | 80.50 | 80.40 |
| Dec | 82.60 | 84.65 | 82.60 | 82.50 |
| Mar | 85.30 | 87.15 | 0 | 0 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 9.99 | 10.19 | 10.18 | 9.88 |
| May | 10.21 | 10.41 | 10.34 | 10.12 |
| Jul | 10.30 | 10.48 | 10.40 | 10.22 |
| Oct | 10.30 | 10.48 | 10.38 | 10.18 |

**COTTON 50,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 58.36 | 58.90 | 58.85 | 58.31 |
| Mar | 60.37 | 60.85 | 60.85 | 60.33 |
| May | 61.50 | 62.25 | 62.00 | 61.40 |
| Jul | 62.68 | 63.45 | 63.10 | 62.65 |
| Oct | 62.80 | 63.40 | 0 | 0 |
| Dec | 62.97 | 63.50 | 63.25 | 62.80 |
| Mar | 63.75 | 63.98 | 0 | 0 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 109.60 | 105.75 | 109.50 | 106.40 |
| Jan | 112.80 | 108.85 | 112.70 | 109.60 |
| Mar | 114.35 | 111.40 | 114.40 | 112.10 |
| May | 115.80 | 113.00 | 116.00 | 114.75 |
| Jul | 117.85 | 114.50 | 118.50 | 116.50 |
| Sep | 118.45 | 116.25 | 0 | 0 |
| Nov | 116.45 | 113.50 | 0 | 0 |
| Jan | 116.45 | 113.50 | 0 | 0 |
| Mar | 116.45 | 113.50 | 0 | 0 |

**INDICES**

REUTERS (Base: September 18 1931 = 100)

| Nov 12 | Nov 11 | mnth ago | yr ago |
|---|---|---|---|
| 1619.2 | 1616.4 | 1580.5 | 1649.3 |

DOW JONES (Base: Dec. 31 1974 = 100)

| | Nov 11 | Nov 10 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 121.75 | 121.88 | 118.68 | 114.82 |
| Futures | 134.13 | 134.51 | 127.86 | 118.90 |

### Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Nov | 675/4 | 674/6 | 676/0 | 666/6 |
| Jan | 682/0 | 682/0 | 683/0 | 676/0 |
| Mar | 688/0 | 688/4 | 688/4 | 682/0 |
| May | 690/2 | 690/6 | 691/0 | 684/0 |
| Jul | 690/6 | 692/4 | 691/6 | 686/4 |
| Aug | 688/4 | 690/4 | 688/0 | 683/0 |
| Sep | 661/0 | 665/0 | 666/0 | 661/0 |
| Nov | 638/2 | 644/2 | 644/2 | 638/0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 25.77 | 25.73 | 25.80 | 25.38 |
| Jan | 25.81 | 25.73 | 25.83 | 25.40 |
| Mar | 25.90 | 25.86 | 25.91 | 25.59 |
| May | 25.89 | 25.82 | 25.90 | 25.46 |
| Jul | 25.88 | 25.75 | 25.88 | 25.40 |
| Aug | 25.55 | 25.47 | 25.56 | 25.20 |
| Sep | 25.12 | 25.06 | 25.12 | 24.96 |
| Oct | 24.52 | 24.50 | 24.70 | 24.48 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 213.2 | 213.8 | 213.4 | 211.3 |
| Jan | 210.0 | 210.1 | 210.1 | 208.5 |
| Mar | 208.2 | 208.8 | 208.5 | 206.7 |
| May | 208.9 | 208.0 | 207.5 | 205.0 |
| Jul | 207.3 | 208.0 | 207.5 | 205.5 |
| Aug | 206.0 | 207.0 | 206.8 | 205.5 |
| Sep | 204.0 | 205.5 | 205.5 | 203.0 |
| Oct | 200.5 | 202.7 | 201.5 | 200.5 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 277/6 | 277/6 | 278/0 | 275/2 |
| Mar | 285/2 | 285/2 | 285/4 | 282/4 |
| May | 287/6 | 287/6 | 288/0 | 285/2 |
| Jul | 287/6 | 287/6 | 287/6 | 285/6 |
| Sep | 272/0 | 273/0 | 273/4 | 271/0 |
| Dec | 258/6 | 261/2 | 260/4 | 258/0 |
| Mar | 264/4 | 268/0 | 266/0 | 264/0 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 343/4 | 339/6 | 348/0 | 339/0 |
| Mar | 343/0 | 340/0 | 346/2 | 338/0 |
| May | 329/2 | 329/2 | 332/2 | 325/4 |
| Jul | 321/0 | 321/4 | 324/4 | 318/4 |
| Sep | 326/0 | 324/0 | 329/4 | 323/0 |
| Dec | 334/4 | 336/0 | 336/4 | 333/0 |
| Jul | 320/0 | 325/0 | 0 | 0 |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 74.325 | 74.050 | 74.425 | 74.150 |
| Feb | 74.800 | 74.725 | 74.900 | 74.575 |
| Apr | 76.525 | 76.675 | 76.700 | 76.325 |
| Jun | 73.175 | 73.325 | 73.425 | 73.100 |
| Aug | 71.800 | 72.000 | 72.150 | 71.800 |
| Oct | 72.100 | 72.300 | 72.500 | 72.100 |
| Dec | 73.150 | 73.175 | 73.150 | 73.000 |

**LIVE HOGS 40,000 lb; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Dec | 46.775 | 46.575 | 47.000 | 46.600 |
| Feb | 48.150 | 48.225 | 48.500 | 48.075 |
| Apr | 47.825 | 47.375 | 47.700 | 47.480 |
| Jun | 52.900 | 52.975 | 52.975 | 52.600 |
| Jul | 51.900 | 52.025 | 52.100 | 51.700 |
| Aug | 50.875 | 51.000 | 51.000 | 50.600 |
| Oct | 46.950 | 47.000 | 47.000 | 46.750 |
| Dec | 48.000 | 48.050 | 48.000 | 47.800 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 55.800 | 56.850 | 56.400 | 55.550 |
| Mar | 55.775 | 55.880 | 56.250 | 55.500 |
| May | 56.300 | 56.300 | 57.100 | 56.250 |
| Jul | 57.150 | 57.300 | 57.800 | 56.800 |
| Aug | 55.500 | 55.750 | 55.750 | 55.050 |

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGE

# Dollar falls further against yen

The US dollar continued its slide against the Japanese yen yesterday amid nervousness over next Friday's meeting between US President Bill Clinton and Japan's prime minister Morihiro Hosokawa and the continued repatriation of funds by Japanese investors, *writes Conner Middelmann.*

However, trading volume was relatively modest with many US traders absent for a long weekend after Thursday's Veteran's Day holiday. Holiday conditions were seen to exaggerate price swings amid a thin flow of hard news.

The dollar slumped as low as Y105.85 from an intra-day high of Y106.65 and is expected to retest support at Y105.90 in the near term. While fundamental factors - the moribund Japanese economy against the US recovery - do not warrant a depreciation of the dollar against the yen, heavy flows out of foreign assets into Japan have favoured the yen all week, traders said.

"The Japanese economy is extremely weak and that's causing liquidity problems for corporates and institutions who are having to sell overseas assets and repatriate the funds," said Mr Steve Hannah, head of research at IBJ International.

Stronger than expected US retail sales data propelled the dollar above DM1.7 to an intraday high of DM1.7035. However, as follow-through buying failed to materialise the currency slid lower and was given a further downwards push by by lower than expected consumer confidence data. The dollar closed at DM1.6915 in London and dropped as low as DM1.6815 in late inter-bank trading.

Some dealers expect the dollar to get a lift against the D-Mark if the Bundesbank's next round of securities repurchase agreements produces a larger drop in the repo rate than this week's mere one-basis-point decline.

Sterling also had a volatile day, jumping nearly two pfennigs against the D-Mark on stronger than forecast trade data but erasing most of the gains in the afternoon as traders took profits and squared their books ahead of the weekend. Late dollar-sales also dragged sterling down against other currencies. After nudging against DM2.52, sterling slipped back to close at DM2.5075, up only slightly from Thursday's close of DM2.5000. However, in erratic after-hours trading it jumped back to test its earlier highs around DM2.52.

The Italian Lire shrugged off the successful passage of Italy's 1994 austerity budget in the Senate and closed at L979.7 against the D-Mark, little changed from L979.6 on Thursday.

### £ IN NEW YORK

| Nov 12 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.4825-1.4835 | 1.4750-1.4760 |
| 1 month | 0.33-0.32pm | 0.33-0.32pm |
| 3 months | 0.82-0.80pm | 0.83-0.82pm |
| 12 months | 2.47-2.42pm | 2.52-2.46pm |

Forward premiums and discounts apply to the US dollar

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Nov 12 | % Change from Central Rate | % Spread v. Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Dutch Guilder | 2.19672 | 2.15401 | -1.94 | 4.77 | - |
| D-Mark | 1.94964 | 1.91013 | -1.95 | 4.36 | - |
| Irish Punt | 0.808628 | 0.807115 | -0.19 | 2.92 | 1 |
| Spanish Peseta | 154.250 | 154.648 | 0.26 | 2.47 | -2 |
| Belgian Franc | 40.2123 | 40.8980 | 1.71 | 1.01 | -12 |
| Portuguese Escudo | 192.854 | 196.272 | 1.77 | 0.94 | -12 |
| French Franc | 6.53883 | 6.67151 | [illegible] | 0.69 | -17 |
| Danish Krone | 7.43679 | 7.53093 | 2.73 | 0.00 | -19 |

### EXCHANGE CROSS RATES

| Nov 12 | £ | $ | DM | Yen | F Fr. | S Fr. | N Fl. | Lira | C$ | B Fr. | Pta | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.483 | 2.508 | 157.5 | 8.730 | 2.220 | 2.815 | 2457 | 1.944 | 53.60 | 202.6 | 1.306 |
| $ | 0.674 | 1 | 1.691 | 106.2 | 5.887 | 1.497 | 1.898 | 1657 | 1.311 | 36.14 | 136.6 | 0.882 |
| DM | 0.399 | 0.591 | 1 | 62.80 | 3.481 | 0.885 | 1.122 | 979.7 | 0.775 | 21.37 | 80.78 | 0.522 |
| YEN | 6.349 | 9.416 | 15.92 | 1000. | 55.43 | 14.10 | 17.87 | 15600 | 12.34 | 340.3 | 1286 | 8.305 |
| F Fr. | 1.145 | 1.698 | 2.873 | 180.4 | 10. | 2.543 | 3.225 | 2814 | 2.227 | 61.40 | 232.1 | 1.498 |
| S Fr. | 0.450 | 0.668 | 1.130 | 70.95 | 3.932 | 1 | 1.268 | 1107 | 0.876 | 24.14 | 91.26 | 0.589 |
| N Fl. | 0.355 | 0.527 | 0.891 | 55.95 | 3.101 | 0.789 | 1 | 872.8 | 0.691 | 19.04 | 71.97 | 0.465 |
| Lira | 0.407 | 0.604 | 1.021 | 64.10 | 3.553 | 0.904 | 1.146 | 1000. | 0.791 | 21.82 | 82.46 | 0.532 |
| C $ | 0.514 | 0.763 | 1.290 | 81.02 | 4.491 | 1.142 | 1.448 | 1264 | 1 | 27.57 | 104.2 | 0.673 |
| B Fr. | 1.866 | 2.767 | 4.679 | 293.8 | 16.29 | 4.142 | 5.252 | 4584 | 3.627 | 100. | 378.0 | 2.440 |
| Pta | 0.494 | 0.732 | 1.238 | 77.74 | 4.309 | 1.096 | 1.389 | 1213 | 0.960 | 26.46 | 100. | 0.646 |
| Ecu | 0.765 | 1.134 | 1.917 | 120.4 | 6.674 | 1.697 | 2.152 | 1878 | 1.486 | 40.98 | 154.9 | 1. |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

### FORWARD RATES AGAINST STERLING

| | Spot | 1 mth | 3 mths | 6 mths | 12 mths |
|---|---|---|---|---|---|
| US Dollar | 1.4830 | 1.4796 | 1.4748 | 1.4688 | 1.4590 |
| D-mark | 2.5075 | 2.5088 | 2.5117 | 2.5133 | 2.5085 |
| French Fr. | 8.7300 | 8.7389 | 8.7552 | 8.7687 | 8.7633 |
| Swiss Fr. | 2.2208 | 2.2188 | 2.2143 | 2.2073 | 2.1912 |
| Yen | 157.50 | 157.07 | 156.20 | 155.00 | 152.50 |

## MONEY MARKETS

# German call rate slips

The rate for overnight D-Mark funds slid further yesterday, raising hopes of a more substantial easing at next week's Bundesbank securities repurchase agreements, *writes Conner Middelmann.*

In a market awash with liquidity, the call money rate fell to around 6.25 per cent in late trading, down 0.20 points in the last two days. Despite the outflow of funds in payment for the Treuhandanstalt's new bonds, liquidity was ample, boosted among other factors by banks' well-stocked reserves at the central bank. Reserves totaled DM59.1bn on Wednesday, the last day for which data is available, up from DM58.8bn on Tuesday.

Given the softness in call money rates, next week's round of repos - which has been moved forward by one day due to Wednesday's national holiday - is expected to yield a larger drop in the repo rate than this week's one basis point reduction. Many dealers are betting on a 5 to 10 basis point reduction in the lowest-accepted rate from this week's 6.38 per cent.

The December three-month Euromark futures contract rose 0.04 point to 93.89.

As expected, the Bank of France at its latest open-market operation left its key money market rates unchanged and added FFr1bn in liquidity. The Bank of France is seen to want to keep rates steady so as not to upset the foreign exchange market while it continues to rebuild its foreign currency reserves.

The Bank of France's weekly statement, published yesterday, showed that the country's net currency reserves rose by FFr4.8bn in the week to October 28, leaving the reserves still FFr28.2bn in deficit.

"It's quite disappointing - they don't seem to be taking advantage of the D-Mark's weakness against the dollar to accelerate the rebuilding programme," said Mr Chris Turner, a currency strategist at Barclays de Zoete Wedd Securities.

The three-month Pibor future rose 0.03 points to 93.53.

After tightness earlier in the week, Sterling money market rates softened slightly after a large institution took out the bulk of the £1.5bn shortage announced early in the day, traders said.

In the early round of operations the Bank purchased £1.25bn of bills at an interest rate of 5⅜ per cent, followed by another £150m of bills at 5⅞ per cent.

The December short sterling futures contract rose 0.05 points on strong volume to 94.45.

## FT LONDON INTERBANK FIXING

| (11.00 a.m. Nov.12) | 3 months US dollars | |
|---|---|---|
| | bid 3⅜ | offer 3½ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

## FINANCIAL FUTURES AND OPTIONS

### OPTION ON LONG-TERM FRENCH BOND (MATIF) (Nov 10)

| Strike | Calls December | Calls March | Calls June | Puts December | Puts March | Puts June |
|---|---|---|---|---|---|---|
| 123 | 0.75 | - | - | 0.11 | - | - |
| 124 | 0.19 | - | - | 0.53 | 0.23 | - |
| 125 | 0.03 | - | - | 1.38 | 0.40 | - |
| 126 | - | - | - | - | 0.65 | - |
| 127 | - | 1.89 | - | - | 0.98 | - |
| Open int. | 198,977 | 93,142 | 780 | 178,436 | 80,573 | 850 |

Estimated volume 41,410 † Total Open Interest 552,760

† All Yield & Open Interest figures are for the previous day.

## BANK RETURN

| BANKING DEPARTMENT | Wednesday November 10,1993 | | Increase or decrease for week |
|---|---|---|---|
| LIABILITIES | £ | | £ |
| Capital | 14,553,000 | | |
| Public Deposits | 5,124,585,533 | + | 414,313,889 |
| Bankers Deposits | 1,555,041,425 | + | 20,973,132 |
| Reserve and other Accounts | 2,984,910,064 | - | 41,081,528 |
| | 9,679,190,022 | + | 394,205,293 |
| ASSETS | | | |
| Government Securities | 1,253,125,193 | - | 17,536,000 |
| Advance and other Accounts | 7,972,170,649 | + | 414,470,822 |
| Premises Equipment & other Secs | 444,831,321 | + | 99,548 |
| Notes | 8,848,175 | - | 2,809,146 |
| Coin | 214,684 | - | 20,931 |
| | 9,679,190,022 | + | 394,205,293 |
| ISSUE DEPARTMENT | | | |
| LIABILITIES | | | |
| Notes in circulation | 17,171,151,825 | - | 7,190,854 |
| Notes in Banking Department | 8,848,175 | - | 2,809,146 |
| | 17,180,000,000 | - | 10,000,000 |
| ASSETS | | | |
| Government Debt | 11,015,000 | | |
| Other Government Securities | 7,154,854,739 | - | 284,978 |
| Other Securities | 10,014,130,161 | - | 9,715,022 |
| | 17,180,000,000 | - | 10,000,000 |

## BASE LENDING RATES

| | % |
|---|---|
| Adam & Company | 6 |
| Allied Trust Bank | 6 |
| AIB Bank | 6 |
| ●Henry Ansbacher | 6 |
| Bank of Baroda | 6 |
| Banco Bilbao Vizcaya | 6 |
| Bank of Cyprus | 6 |
| Bank of Ireland | 6 |
| Bank of India | 6 |
| Bank of Scotland | 6 |
| Barclays Bank | 6 |
| Brit Bk of Mid East | 6 |
| ●Brown Shipley | 6 |
| CL Bank Nederland | 6 |
| Citibank NA | 6 |
| City Merchants Bank | 6 |
| Clydesdale Bank | 6 |
| The Co-operative Bank | 6 |
| Coutts & Co | 6 |
| Credit Lyonnais | 6 |
| Cyprus Popular Bank | 6 |
| Duncan Lawrie | 6 |
| Exeter Bank Limited | 7 |
| Financial & Gen Bank | 7 |
| ●Robert Fleming & Co | 6 |
| Girobank | 6 |
| ●Guinness Mahon | 6 |
| Habib Bank AG Zurich | 6 |
| ●Hambros Bank | 6 |
| Heritable & Gen Inv Bk | 6 |
| ●Hill Samuel | 6 |
| C. Hoare & Co | 6 |
| Hongkong & Shanghai | 6 |
| Julian Hodge Bank | 6 |
| ●Leopold Joseph & Sons | 6 |
| Lloyds Bank | 6 |
| Meghraj Bank Ltd | 6 |
| Midland Bank | 6 |
| * Mount Banking | 6 |
| * (in administration) | |
| NatWestminster | 6 |
| ●Rea Brothers | 6 |
| * Roxburghe Bank Ltd | 6 |
| * (in administration) | |
| Royal Bk of Scotland | 6 |
| ●Smith & Williamson Secs | 6 |
| Standard Chartered | 6 |
| TSB | 6 |
| ●United Bk of Kuwait | 6 |
| Unity Trust Bank Plc | 6 |
| Western Trust | 6 |
| Whiteaway Laidlaw | 6 |
| Wimbledon & Sth West | 7 |
| Yorkshire Bank | 6 |

● Members of British Merchant Banking & Securities Houses Association

# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crd: Frequency at which interest is credited to the account.

# LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ϕ Bargains done the previous day.

## British Funds, etc

Treasury 13¾% Stk 2000/03 - £135¾ 137⅛

## Corporation and County Stocks

Birmingham District Council 11½% Red Stk 2012 - £129¾
Leeds(City of) 13½% Red Stk 2006 - £140
Manchester(City of) 11.5% Red Stk 2007 - £128
Nottingham Corp 3% Stk (Irrd) - £35¼

## UK Public Boards

## Foreign Stocks, Bonds, etc-(coupons payable in London)

Nippon Telegraph and Telephone Corp9% Nts 1993(Br$10000) - $115.15 (8No93)
Nordic Investment Bank 7.75% Nts 1998 (Br £ Var) - £105 (9No93)
Northumbrian Water Group PLC 8¼% Bds 2002 (Br £ Var) - £109½ (8No93)
Norway (Kingdom of) 7.25% Nts 1998(Br $C Var) - $C103.6 (8No93)
Osaka Gas Co Ltd 8.125% Bds 2003 (Br £ Var) - £104¾ (10No93)
PCO Finance Ltd 8% Cnv Bds 2005 (Br£5000) - £97½ (8No93)
Pacific Electric Wire&Cable Co Ltd 3¼% Bds 2001(Br$10000) - $119 (9No93)

Lewis (John) PLC 10½% Bds 2014 (Br£10000&100000) - £121⅞
Lloyds Bank PLC 9⅝% Subord Bds 2023 (Br £ Var) - £113⅞ (10No93)
Lloyds Bank PLC 10¼% Subord Bds 1998(Br£10000) - £112.2
McDonald's Corporation Zero Cpn Ntes 4/8/96 (Br £ Var) - £85⅝ ⅞ (10No93)
Marks & Spencer Finance PLC 7⅞% Gtd Nts 1998 (Br £ Var) - £104 (8No93)
National Grid Co PLC 7⅞% Bds 1998 (Br £ Var) - £103¾ (9No93)
National Power PLC 10⅝% Bds 2001 (Br £10000&100000) - £118⅛
National & Provincial Bldg Society 8¼% Nts 1998 (Br £ Var) - £105⅛ (8No93)
National Westminster Bank PLC 11¾% Subord Nts 2001 (Br £Var) - £122⅜ (8No93)
National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Reg - £121⅛ ⅝
National Westminster Bank PLC 11½% Und-SubNts £1000(Cnv to Prf)Br - £121 (10No93)
Nationwide Building Society 13.5% Subord Nts 2000 (Br £10000) - £127.704 .8565 .6
New Zealand 9% Nts 1994(Br$10000&100000) - $104.03 (5No93)

## Sterling Issues by Overseas Borrowers

## Listed Companies(excluding Investment Trusts)

Andrews Sykes Group PLC Cnv Prf (5No93)
Anglian Water PLC 5⅛% Index-Linked 2008(5.1024%) - £144½ϕ
Anglo-Eastern Plantations PLC Warrants to sub for Ord - 13 (8No93)
Anglo-Eastern Plantations PLC 12% Ln Stk 96/99 - £100 (10No93)
Armour Trust PLC 10½% Uns Ln Stk £98 (8No93)
Associated British Foods PLC 5½% Stk 87/2002 50p - 40 2
Associated British Foods PLC 7½% Stk 87/2002 50p - 47
Associated Leisure Hldgs Ld 7½% Stk 89/94 - £98½ (10No93)
Attwoods PLC ADR (5:1) - $10¼ ⅜
Attwoods (Finance) NV 8½p Gtd 5p - 93
Australian Agricultural Co Ld $A 0. (9No93)
Automated Security(Hldgs) PLC 5% Red Prf £1 - 83 4 (8No93)
Automated Security(Hldgs) PLC 6% Red Prf £1 - 72 2 3
Avdel PLC 10½% Uns Ln Stk 96/9
B.A.T Industries PLC ADR (1:1) - $
BET PLC ADR (4:1) - $7.4 (10No93)
BICC PLC 3.85%(Frmly 5½%) 2nd
BM Group PLC 4.6p (Net) Cnv Cum 20p - 42
BOC Group PLC ADR (1:1) - $9.19

Alexon Group PLC 5% Cum Prf £1 - 52½ (8No93)
Alexon Group PLC 6.25p (Net) Cnv Cum Red Prf 10p - 71 (10No93)
Alida Hldgs PLC 9.25% (Net) Cum Red Prf 2008/13 £1 - 120 (9No93)
Allied London Properties PLC 10¾% 1st Mtg Deb Stk 2025 - £124½ (10No93)
Allied-Lyons PLC ADR (1:1) - $8.04
Allied-Lyons PLC 5½% Cum Prf £1 - 56 62 (9No93)
Allied-Lyons PLC 7½% Cum Prf £1 - 83 4 (9No93)
Allied-Lyons PLC 5¼% Uns Ln Stk - £59
Allied-Lyons PLC 6¾% Uns Ln Stk - £65 (10No93)
Allied-Lyons PLC 7½% Uns Ln Stk - £85 (9No93)
Allied-Lyons PLC 7¾% Uns Ln Stk 93/98 - £99 ½ (10No93)
Alva PLC 5.5% Cnv Cum Non-Vtg Red Prf £1 - 72 3 (10No93)
Amber Day Holdings PLC 10½% Cum Red Prf 99/2002 £1 - 103
American Brands Inc Shs of Com Stk $3.125 - $34.155 (8No93)
Ameritech Corp Shs of Com Stk $1 - £55¾ $ 83.28 (5No93)

Charlwood Alliance Hldgs Ld 7½% Stk 50p - 40 ½ (8No93)
Cheltenham & Gloucester Build Soc Perm Int Bearing Shs £50000 - £12
Chepstow Racecourse PLC Ord 25p (10No93)
Chilington Corporation PLC 9½% Cu Prf £1 - 98 9 (8No93)
City Site Estates PLC 5.25% Cnv Cu Prf £1 - 50
City Site Estates PLC 7% Cnv Uns L 2005/08 - £97 (10No93)
Co-Operative Bank PLC 9.25% Non-Prf £1 - 118
Coastal Corporation Shs of Com Stk 3 - $27.28 (10No93)
Coats Patons PLC 6¾% Uns Ln Stk - £92 (10No93)
Coats Viyella PLC 4.9% Cum Prf £1 - 70¾
Cohen(A.) & Co PLC Non.V "A" Ord 330
Colne Valley Water Ld 4% Cons Deb (Irrd) - £47 8 (9No93)
Commercial Union PLC 3.5% Cum R £1 - 71½ (9No93)
Commercial Union PLC 8⅜% Cum In £1 - 113¾ 4
Commercial Union PLC 8¾% Cum In £1 - 116‡ 22 ⅛
Cookson Group PLC 4.9% Pfd Ord (5No93)
Cooper (Frederick) PLC 6.5p (Net) Cn Cum Ptg Prf 10p - 92
Courtaulds PLC 5% Cum 1st Prf £1 - (10No93)
Courtaulds PLC 5½% Uns Ln Stk 94 £96½
Courtaulds PLC 6½% Uns Ln Stk 94 £96 (10No93)
Courtaulds PLC 7¼% Uns Ln Stk 94 £99½
Courtaulds PLC 7¾% Uns Ln Stk 20 £101 (10No93)
Coventry Building Society 12⅛% Per est Bearing Shs £1000 - £126½ ¼
Cowie(T.) PLC 10½% Cnv Red Prf £1 (10No93)
Croda International PLC 6.6% Cum P 95 (9No93)
Cropper(James) PLC 9% Uns Ln Stk £100 (9No93)
Daily Mail & General Trust PLC Ord 5

Scottish & Newcastle PLC 7% Cnv Cum Prf £1 - 206
Scottish Power PLC Ord 50p - 387 8 8 .31 ½ .81 9 9 ½ ½ 90 90 .2 ½ ½ .7 1 1 .3 ½ .7 2 2 ½ 3 3‡
Westland Group PLC 7½% Cnv Cum Prf £1 - 255
Whitbread PLC B Ord 25p - £11.1 11.2
Whitbread PLC 7% 3rd Cum Prf Stk £1 - 78½ 80½ (10No93)

## Investment Trusts

## Miscellaneous Warrants

## USM Appendix

## Suspended Securities

## Rule 535(2)

## RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Aust. Foundation Inv. A$2.13 (10/11)
Cape Range Oil A$0.82 (5/11)
City Developments S$8.395 (10/11)
Keystone Intl. 528.197
Killinghall (Malaysia) 95.0 (9/11)
Mount Martin Gold Mines A$0.57 (5/11)
National Electronics Hldgs. 4.5,5.0
Oil Search 30.0,35.0
Palabora Mining £7.875 (5/11)
Regal Hotels 10.0
Star Communications SK368.0

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## FT-SE ACTUARIES INDICES

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## EARNINGS IN THE FT

Readers of the FT's London Share Service pages will have started to notice a capital N against the names of some companies.

The N symbol means that the version of the company's earnings used in the FT's statistical calculations now follows the "headline earnings" formula devised by a subcommittee of the Institute for Investment Management and Research (IIMR) and proposed in draft form (still subject to final review) in early March.

This formula represents a broad consensus on the "single number" that should be used for UK companies' earnings under the Accounting Standards Board's Financial Reporting Standard 3.

The IIMR headline earnings formula emphasises a company's actual activities during the reporting period, including those activities which have been with the company only for part of the period. Key features are:

- All trading profits/losses are included in the earnings number. Items which are abnormal in size or nature are included but should be flagged.
- Profits and losses on the sale of fixed assets or of businesses should be excluded. This does not apply to assets acquired for resale, such as marketable securities.
- Profits and losses arising in activities discontinued at some point in the period, or in activities acquired at some point in the period, should remain in the earnings figure. Costs of eliminating a discontinued operation, or of making an acquisition, are excluded.

Further information on the FT's treatment of earnings is available from The Manager, FT Statistics, One Southwark Bridge, London SE1 9HL.

## LONDON STOCK EXCHANGE

# Equity account ends with strong rally

By Terry Byland, UK Stock Market Editor

THE EQUITY trading account ended in a blaze of activity, with share prices rallying strongly on the back of a strong government bond market and a firm opening to the new Wall Street session. UK bonds followed sterling in a vigorous response to an unexpected shrinking in the UK trade deficit to £419m in October.

The FT-SE Index was down by nearly 25 points in early trading, hit by further pressure from stock index futures, where the December contract on the Footsie remained at a discount against the cash market during the first half of the session. But most of the loss reflected falls in Shell, Unilever and Glaxo, and by the close, the December contract had returned to a premium.

After rallying slowly following the trade figures, the stock market edged slowly upwards in modest trading volume. The excitement came in the final two hours of dealing when Wall Street responded to strong US sales data for October. Firmness in sterling enabled UK bonds to shrug off weakness in Federal bonds in New York. Long-dated gilts gained nearly a full point, while base rate optimism held the shorts steady; index linked added 11/16 of a point.

The FT-SE Index closed just short of the 3,100 mark, with the day's final net loss of a mere 0.6 points giving a reading of 3,099.1. The FT-SE Mid 250 Index, still at the mercy of profit-takers, shed 13.5 to 3,421.1.

The recovery in equities surprised traders the more because a large UK fund had been switching out of UK shares and into gilt-edged stocks all day – £250m each way was reportedly the price tag. This came on top of heavy selling this week of UK equities by a large European fund which was believed to have unloaded around £300m worth of stocks.

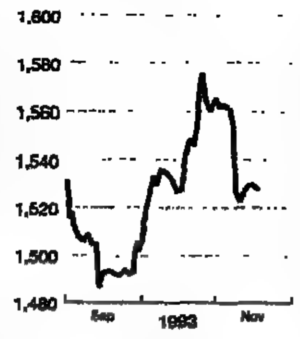
Over the two-week account, the Footsie has lost 71.9 points, or about 2.3 per cent, having this week recouped 13.5 points as worries over rising bond yields in the US have abated somewhat. The FT-SE Mid 250 Index, more vulnerable to price mark downs by nervous marketmakers, is down by 3 per cent over the trading account.

Seaq volume increased towards the close to give a final total of 639.4m shares, still short of Thursday's 743.1m which was worth £1.65bn in retail business; with Friday's total yet to come, the week's retail business has already topped £6bn.

| Account Dealing Dates | | | |
|---|---|---|---|
| *First Dealings: | Nov 1 | Nov 15 | Nov 29 |
| Option Declarations: | Nov 11 | Nov 25 | Dec 9 |
| Last Dealings: | Nov 12 | Nov 26 | Dec 10 |
| Account Day: | Nov 22 | Dec 6 | Dec 20 |

*New time dealings may take place from two business days earlier.

**FT-A All-Share Index**




## Unilever results disappoint

FOOD manufacturing giant Unilever fell heavily for a second consecutive session as the market reacted badly to third quarter figures yesterday. Pre-tax profits, at £613m, came towards the bottom of market forecasts, with the European ice cream business particularly weak on poor weather. However, North America was better than some expectations. The shares, which had tumbled 27 on Thursday, fell a further 17 yesterday to close at 1086p. Turnover was a lumpy 4.3m.

Some analysts said that the disappointing results had demonstrated the group's inevitable exposure to the current blight in the food manufacturing sector. Several of the other leading stocks have been hit in recent sessions by downgrades and negative notes as brokers have responded to the price war among the food retailers. Smith New Court, which is recommending the stock be sold at current levels, is worried about Unilever's margins, especially in the low inflationary environment. The broker cut its full-year forecast by £50m to £2.25bn, with the market range around £2.20bn-£2.35bn.

### Shell sold

Further consideration of Shell Transport's results saw the shares tumble 20 at one stage. They were hit further by heavy selling in New York late on Thursday and there slide accounted for much of the early weakness in the London stock market yesterday. However, a futures-inspired rally dragged Shell back to close 14 lower on the day at 690p.

Investors had latched on to encouraging third-quarter figures from BP the week before and convinced themselves that Shell would follow suit. In the event the company came up with perfectly respectable numbers but they lacked excitement and included weakness in the chemicals side of the business. Some analysts said the company was also on a high rating while lacking the recovery potential of BP. The latter's shares slipped 2½ to 357p.

BTR was slightly weaker as speculation of a bearish Sunday newspaper article rippled through the market. There was also talk that one analyst was preparing an in-depth research piece on the conglomerate and that his study would be sent to clients on Monday. In the event the shares lost only a halfpenny at 359½p on turnover of 6.1m.

Pharmaceutical stocks were marked down at the start of trading following big falls in the US late on Thursday. However, with the leading drugs stocks representing a significant proportion of the FT-SE 100 index, the subsequent rise in the futures market pulled most of the health and household stocks upward. Glaxo was 13 off at one stage but ended the day 2 weaker at 654p. SmithKline Beecham 'A' shares dropped 12 but ended 4½ lighter at 411p and Wellcome fell 7 before ending a penny up at 678p.

Fisons, which has suffered from concerns over allegations of bribery in its UK regional sales promotions, rallied 4½ to 143½p. There was a return of speculation that a bid might be launched but that story raised few eyebrows, particularly on a Friday when dealers books are being squared ahead of the weekend.

The beleaguered food retailers rallied in the face of a week of further negative notes from brokers. Dealers said Thursday's big deal in Tesco – where BZW matched a buyer and seller of 29m shares at only a small discount to the current share price – had strengthened sentiment. Tesco shares improved further yesterday, finishing 2½ up at 185½p in good volume of 9.5m. Argyll Group climbed 9 to 258p with 8.8m traded. Shoprite Group put on 11 to 156p.

Stores groups responded well to the latest economic statistics and the recent positive notes on the sector anticipating a good run up to Christmas. Kingfisher gained 8 to 662p, Marks and Spencer 6 to 402p, Great Universal Stores 9 to 543p and Boots 5 to 515p.

Rolls-Royce shares were the outstanding feature in a weak engineering and aerospace sector. Talk in the market suggested that the group might be set to announce a significant link with Pratt and Whitney of the US. Yet another denial from British Aerospace that its Taiwanese jet deal was dead failed to stop the shares sliding. They ended 11 adrift at 430p. Profit-taking took the shine off VSEL, down 20 at 825p. British Steel were wanted ahead of interims on Monday, closing 1½ ahead at 124½p.

Further profit-taking in S.G. Warburg following good figures earlier in the week took the shares back 15 to 833p.

Courtaulds, the leading stock in the chemicals sector, rebounded 16 to 484p as investors decided it had fallen far enough and decided to pick up shares ahead of figures next week. In the light of the chemicals industry's Europe-wide blight and recent disappointing results from rival companies, the figures are not expected to sparkle. However, the shares had already fallen from above 580p at the start of August.

Composite insurer Royal Insurance fell 10 to 306p in active as profit takers moved in after good nine-month results and a feeling premium rates might have peaked. Securities house Charterhouse Tilney added that it was concerned about the insurer being hit by pollution clean-up claims in the United States. Royal has said up to now it has only received one small claim, related to recent fires around Los Angeles.

Strength in Cable and Wireless was attributed to Lord Young, the chairman, who was reported to be telling US businessmen that the Mercury One-2-One mobile telephone system would have 10m subscribers within 10 years. The shares gained 2 to 497p.

A return of the recent bear stories on Owners Abroad sent the shares into retreat, although turnover was relatively small. The shares slipped 6 to 78p in turnover of just over half a million.

**MARKET REPORTERS:**
Christopher Price,
Peter John.

■ Other statistics, Page 11

## CHIEF PRICE CHANGES YESTERDAY

London (Pence)

| Rises | | | |
|---|---|---|---|
| Amstrad | 51½ | + | 3 |
| Automagic | 26 | + | 2 |
| Avesco | [illegible] | + | 8 |
| Burtonwood | 167 | + | 14 |
| Campbell & Armst | 38 | + | 6 |
| First Nat Fin | 59 | + | 3 |
| Lon O'seas Frt | 102 | + | 5 |
| MMT Computing | 141 | + | 7 |
| Monarch Resources | 193 | + | 8 |
| Osprey Comms | 30½ | + | 3½ |
| Rexmore | 60 | + | 5 |
| Sherwood Computer | 95 | + | 10 |
| Shoprite | 156 | + | 11 |
| Somic | 81 | + | 15 |
| VHE | 126 | + | 7 |

| Falls | | | |
|---|---|---|---|
| Acorn Computer | 93 | – | 5 |
| Hambro Ins Svs | 109 | – | 5 |
| Hays | 247 | – | 11 |
| Hewden-Stuart | 150½ | – | 7½ |
| Oceana Cons | 143 | – | 12 |
| Owners Abroad | 78 | – | 6 |
| Richardsons West | 75 | – | 5 |
| Shanks & McEwan | 124 | – | 7 |
| Sharelink | 374 | – | 23 |

## NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (57).
BRITISH FUNDS (1) Exch. 12pc 2013-17, AMERICANS (1) Loew's, CANADIANS (3) Amer. Barrick Res., Bascan, BREWERS (1) Matthew Clark, BLDG MATLS (3) Kingspan, Sharpe & Fisher, BUSINESS SERVS (1) Boustead, CONGLOMERATES (1) Hanson 9¾pc Bd., CONTG & CONSTRCN (2) Campbell & Armstrong, VHE, ELECTRONICS (2) Amstrad, MMT Computing, ENG AERO (1) Rolls-Royce, ENG GEN (6) BSS, Fenner, Mining & Allied Supplies, Rubicon, Widney, MISC COMPOSITE (1) Trade Indemnity, INV TRUSTS (6) JF Pacific Warrants, Korea-Europe, Siam Selective Growth, Sumit, TR Far East, Thornton-Asian Emg. Mkts., MEDIA (3) Avesco, City of London PR, Pearson, MISC (3) BAT Inds., Kenham A, Osborne & Little, OIL & GAS (1) Aminex, OTHER FINCL (1) Swire Pacific A, PACKG, PAPER & PRNTG (1) Somic, STORES (1) Etam, TEXTS (1) Forminster, TRANSPORT (3) CSX, London & O'seas Freighters, PLANTATIONS (1) Lendu, MINES (17) Anglo American, Anglovaal, Bakyrchik, Blyvoor, Durban Deep, F.S. Cons., Kinross, Loraine, Monarch Res., Precious Metals Aust., St. Helena, Sons Gwalia, Vaal Reefs, Wankie Colliery, Welkom Gold, Western Deep, Willoughby's.

NEW LOWS (40).
BRITISH FUNDS (6) BREWERS (2) Grand Met., Macallan-Glenlivet, BLDG MATLS (1) Tudor, BUSINESS SERVS (1) Penna, CHEMS (1) Hickson, CONGLOMERATES (2) Acer A, Ebby (J), CONTG & CONSTRCN (2) BB & EA, Guardian, ELECTRICALS (1) Burnfield, ENG AERO (1) FR, FOOD MANUF (1) Utd. Biscuits, FOOD RETAILING (2) Kwik Save, Morrison 5½pc Pf., HEALTH & HSEHOLD (3) Intercare, Shield Diagnostics, Smith & Nephew, HOTELS & LEIS (2) Euro Disney, First Leisure, MISC (3) Elmco Inds., Shanks & McEwan, OIL & GAS (1) LASMO, OTHER FINCL (2) Hambro, Policy Portfolio, OTHER INDLS (1) Staveley, PACKG, PAPER & PRNTG (4) Bowater, Do. 7¾pc Pf., RPC, St. Ives, PROP (1) Cathay, STORES (3) Beturnware, Hughes (T.J.), TEXTS (2) Dewson, Lowe (Robert H).

## EQUITY FUTURES AND OPTIONS TRADING

A TURBULENT session in derivatives yesterday saw the December contract on the FT-SE index move back to a premium against the cash market, writes Terry Byland. The highlight of the day came when, in one of the largest deals recorded in stock index futures, a US house crossed 3,500 December contracts at virtually the day's high point of 3,116. The deal boosted trading volume to a similar peak of just over 19,000 contracts.

It was a different story earlier in the day, however. the December contract fell sharply to below the 10 point fair value premium as an equity seller insured himself.

Here the contract stayed until unexpectedly good UK trade figures changed the mood. But it was Wall Street which drove futures to their closing strength, for a final December reading of 3,113, a three- or four-point premium over fair value; fair value dips to around 6½ when the new equity account opens on Monday morning.

Traded options were also busy on UK and European selling of equities.

## TRADING VOLUME IN MAJOR STOCKS

| Stock | Volume 000s | Closing Price | Day's change |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

## FINANCIAL TIMES EQUITY INDICES

| | Nov 12 | Nov 11 | Nov 10 | Nov 9 | Nov 8 | Year ago | * High | * Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary share | 2342.7 | 2340.6 | 2342.7 | 2339.3 | 2325.3 | [illegible] | 2414.2 | 2124.7 |
| Ord. div. yield | 3.96 | 3.96 | 3.96 | 3.96 | 3.99 | 4.57 | 4.52 | 3.82 |
| Earning yld % full | 4.62 | 4.62 | 4.62 | 4.63 | 4.65 | 6.43 | 6.38 | 4.47 |
| P/E ratio net | 27.13 | 27.14 | 27.12 | 27.09 | 26.93 | 19.83 | 28.36 | 19.40 |
| P/E ratio nil | 25.16 | 25.18 | 25.15 | 25.12 | 24.97 | 18.22 | 26.14 | [illegible] |
| Gold Mines | 249.6 | 244.1 | 235.3 | 232.2 | 232.3 | [illegible] | 249.6 | 60.0 |

*For 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation: high 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2332.0 | 2325.2 | 2327.1 | 2327.2 | 2331.9 | 2332.8 | 2333.3 | 2333.4 | 2343.7 | 2344.5 | 2323.3 |

| Volume | Nov 12 | Nov 11 | Nov 10 | Nov 9 | Nov 8 | Year ago |
|---|---|---|---|---|---|---|
| SEAQ Bargains | 32,718 | 29,165 | 28,736 | 28,765 | 30,352 | 34,694 |
| Equity Turnover(£m)† | - | 1647.4 | 1721.1 | 1505.0 | 1307.8 | 1188.0 |
| Equity Bargains† | - | 32,928 | 32,758 | 32,142 | 33,846 | 38,613 |
| Shares traded (mil)† | - | 619.5 | 685.0 | 655.2 | 651.8 | 546.0 |

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

## FT-A INDICES LEADERS AND LAGGARDS

Percentage changes since December 31 1992 based on Friday November 12 1993

| | | | | | |
|---|---|---|---|---|---|
| Gold Mines Index | + | 290.61 | Other Groups | + | 15.78 |
| Property | + | 66.39 | Transport | + | 15.55 |
| Merchant Banks | + | 61.25 | Insurance (Life) | + | [illegible] |
| Engineering-Aerospace | + | 56.54 | Electricals | + | 13.71 |
| Metals & Metal Forming | + | 47.01 | Textiles | + | 12.97 |
| Banks | + | 40.60 | FT-A All-Share | + | 12.00 |
| Contracting, Construction | + | 37.65 | Stores | + | 11.64 |
| Financial Group | + | 35.93 | Insurance (Composite) | + | 11.39 |
| Building Materials | + | 34.39 | FT-SE-A 350 | + | 11.07 |
| Electricity | + | 33.89 | Insurance Brokers | + | 11.04 |
| FT-SE SmallCap | + | 29.57 | Water | + | 10.10 |
| Investment Trusts | + | 28.82 | Packaging, Paper & Printing | + | [illegible] |
| FT-SE SmallCap | + | 28.21 | FT-SE 100 | + | [illegible] |
| Oil & Gas | + | 22.34 | "500" Share Index | + | 7.80 |
| Telephone Networks | + | 21.91 | Hotels & Leisure | + | 7.17 |
| Engineering-General | + | 21.33 | Business Services | + | 6.28 |
| Motors | + | 20.98 | Industrial Group | + | 5.95 |
| Capital Goods | + | 20.63 | Chemicals | + | 5.59 |
| Electronics | + | 20.14 | Other Industrials | + | 3.21 |
| Media | + | 19.88 | Food Manufacturing | - | 1.27 |
| FT-SE Mid 250 | + | 19.50 | Consumer Group | - | 8.65 |
| FT-SE Mid 250 ex Inv Tst | + | 18.89 | Brewers & Distillers | - | 14.16 |
| Conglomerates | + | 18.05 | Health & Household | - | 15.49 |
| | | | Food Retailing | - | [illegible] |

## BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 9.500 | 08/03 | 120.0465 | -0.164 | 6.67 | 6.60 | 6.62 |
| BELGIUM | | 9.000 | 03/03 | 113.6000 | +0.500 | 6.97 | [illegible] | 7.27 |
| CANADA * | | 7.500 | 12/03 | 105.0000 | -0.045 | 6.80 | 6.91 | 6.77 |
| DENMARK | | 8.000 | 05/03 | 110.8500 | -0.050 | 6.43 | [illegible] | 6.45 |
| FRANCE | BTAN | 6.750 | 11/98 | 101.4795 | +0.103 | 5.40 | 5.47 | 5.53 |
| | OAT | 6.750 | 10/03 | 105.0300 | +0.250 | 6.05 | [illegible] | 5.95 |
| GERMANY | | 6.000 | 09/03 | 100.9500 | +0.198 | 5.87 | 5.92 | [illegible] |
| ITALY | | 10.000 | 08/03 | 106.0450 | -0.140 | 9.41† | 9.56 | 8.96 |
| JAPAN | No 119 | 4.800 | 06/99 | 109.2324 | -0.362 | 2.86 | 2.91 | 3.18 |
| | No 157 | 4.500 | 06/03 | 106.9167 | -0.351 | 3.64 | 3.67 | 3.78 |
| NETHERLANDS | | 7.000 | 02/03 | 109.1700 | +0.500 | 5.83 | 5.90 | 5.88 |
| SPAIN | | 10.900 | 08/03 | 114.3000 | +0.150 | 8.65 | 8.73 | 8.77 |
| UK GILTS | | 7.250 | 03/98 | 104-13 | +5/32 | 6.08 | 6.15 | 6.22 |
| | | 8.000 | 06/03 | 108-10 | +17/32 | 6.78 | 6.93 | 6.81 |
| | | 9.000 | 10/08 | 117-08 | +27/32 | 7.11 | 7.27 | 7.18 |
| US TREASURY * | | 5.750 | 08/03 | 100-13 | +3/32 | 5.69 | 5.74 | [illegible] |
| | | [illegible] | 08/23 | 100-22 | +5/32 | 6.20 | 6.24 | 5.91 |
| ECU (French Govt) | | 6.000 | 04/03 | 110.6000 | +0.250 | 6.48 | 6.54 | 6.45 |

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

## RISES AND FALLS YESTERDAY

| | On Friday Rises | Falls | Same | On the week Rises | Falls | Same |
|---|---|---|---|---|---|---|
| British Funds | 57 | 12 | 9 | 174 | 114 | 103 |
| Other Fixed Interest | 5 | 2 | 10 | [illegible] | 8 | 52 |
| Commercial, Industrial | 166 | 463 | 793 | 1,002 | 1,920 | 4,176 |
| Financial & Property | [illegible] | 185 | 507 | 887 | 879 | 2,570 |
| Oil & Gas | 13 | 25 | 41 | 64 | 113 | 218 |
| Plantations | 1 | 0 | 8 | 3 | 4 | 38 |
| Mines | [illegible] | [illegible] | 59 | 210 | 153 | 328 |
| Others | 40 | 58 | 41 | 223 | 246 | 225 |
| Totals | 477 | 761 | 1,468 | 2,378 | 3,437 | 7,710 |

## FT-SE Actuaries Share Indices — THE UK SERIES

| FT-SE 100 | FT-SE MID 250 | FT-A ALL-SHARE |
|---|---|---|
| 3099.1 -0.6 | 3421.1 -13.5 | 1527.46 -1.73 |

| | Nov 12 | Day's change | Nov 11 | Nov 10 | Nov 9 | Year ago | Dividend yield % | Earnings yield % | P/E Ratio | Xd adj ytd | Total Return | 1993 High | 1993 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE Mid 250 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE-A 350 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

FT-SE Actuaries 350 Industry Baskets

| | | | | | | | | | | Prev close | change |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Constrcn | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Health & H | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Water | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Banks | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

| Equity section or group | Base date | Base value |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

[illegible]

| | | |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

# AUTHORISED UNIT TRUSTS

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QZ
Tel: 071-379-0444.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Sun Alliance Unit Tst Mngmt Ltd - Contd.

Sun Life of Canada Unit Mgrs Ltd (1000)H

Sun Life Trust Mngmt Ltd (1200)H

Murray Johnstone UT Mngmt

NatWest Investment Management Ltd

PDFM Unit Managers Ltd

Barclays Life Assur. Co Ltd

Colonial Mutual Group - Contd.

General Portfolio Life Insce Plc - Contd.

Laurentian Life plc - Contd.

Legal & General

Manchester Unity Assurance

Pearl Assurance - Contd.

## INSURANCES

## OTHER UK UNIT TRUSTS

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( 071 ) 873 4378 for more details.

**J Rothschild Assurance PLC**
J Rothschild House, Dollar Street, Cirencester
Telephone 0285 640302 Helpline 041-307 6500

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| Income Distribution | 109.3 | 115.6 | +0.20 | - |
| JRA/MSG Managed | 136.9 | 144.1 | - | - |
| JRA Scottish Amicable Mngd | 127.7 | 134.5 | +0.10 | - |
| JRA St James's Place Mngd | 149.5 | 157.4 | +0.30 | - |
| Deposit | 102.6 | 108.1 | - | - |
| Far East | 161.2 | 169.7 | +2.10 | - |
| Gilts | 122.9 | 129.4 | - | - |
| Greater European | 133.0 | 140.1 | -0.80 | - |
| North American | 150.6 | 158.6 | +0.30 | - |
| UK Equity | 129.0 | 135.9 | -0.10 | - |
| **Pension Funds** | | | | |
| JRA/MSG Managed cap | 136.3 | 143.5 | - | - |
| JRA/MSG Managed acc | 144.7 | 152.4 | - | - |
| JRA Scottish Amicable Mngd cap | 127.5 | 134.3 | +0.10 | - |
| JRA Scottish Amicable Mngd acc | 135.4 | 142.6 | +0.10 | - |
| JRA St James's Pl Mngd cap | 163.2 | 171.8 | +0.50 | - |
| JRA St James's Pl Mngd acc | 173.3 | 182.5 | +0.50 | - |
| Deposit cap | 101.7 | 107.1 | - | - |
| Deposit acc | 108.1 | 113.8 | - | - |
| Far East cap | 161.9 | 170.5 | +2.80 | - |
| Far East acc | 172.0 | 181.1 | +2.60 | - |
| Gilts cap | 118.5 | 124.8 | - | - |
| Gilts acc | 125.9 | 132.6 | - | - |
| Greater European cap | 135.1 | 142.3 | -1.10 | - |
| Greater European acc | 143.5 | 151.1 | -1.20 | - |
| North American cap | 151.6 | 159.6 | +1.30 | - |
| North American acc | 161.0 | 169.5 | +1.40 | - |
| UK Equity cap | 128.4 | 135.2 | - | - |
| UK Equity acc | 136.4 | 143.6 | - | - |

**Royal Heritage Life Assurance Ltd**
Peterborough Business Pk, PE2 6GG 0733 390000

[illegible]

**Scottish Provident Group**
6 St Andrew Sq, Edinburgh 031-556 2832

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Scottish Provident Institution Funds** | | | | |
| **Life Funds** | | | | |
| With-Profits | 106.6 | 112.3 | - | - |
| Managed | 257.0 | 270.6 | -0.8 | - |
| Blue Chip | 138.3 | 145.7 | -1.1 | - |
| Equity | 268.6 | 282.8 | -1.4 | - |
| International | 279.8 | 294.7 | -0.2 | - |
| Property | 201.1 | 211.8 | - | - |
| Fixed Interest | 221.2 | 233.5 | - | - |
| Index-Linked | 183.7 | 193.4 | -0.6 | - |
| Cash | 181.6 | 191.2 | - | - |
| Money Market | 119.5 | 125.8 | - | - |
| Americas Performance | 182.4 | 192.1 | -0.3 | - |
| Europe Performance | 120.1 | 126.5 | -0.9 | - |
| Far East Performance | 127.2 | 134.0 | +0.8 | - |
| Worldwide Performance | 142.2 | 149.8 | +0.1 | - |
| **Pension Funds** | | | | |
| With-Profits Ord | 200.0 | 210.9 | - | - |
| Managed Ord | 317.7 | 334.5 | -1.5 | - |
| Blue Chip Ord | 145.3 | 153.1 | -1.5 | - |
| Equity Ord | 332.5 | 350.1 | -2.3 | - |
| International Ord | 343.4 | 361.6 | +0.7 | - |
| Property Ord | 254.6 | 268.1 | - | - |
| Fixed Interest Ord | 302.8 | 318.8 | -0.1 | - |
| Index-Linked Ord | 201.2 | 211.9 | -0.8 | - |
| Cash Ord | 252.5 | 265.9 | - | - |
| Building Society Ord | 191.2 | 201.4 | - | - |
| Americas Performance Ord | 204.5 | 215.4 | -0.5 | - |
| Europe Performance Ord | 114.8 | 121.0 | -1.2 | - |
| Far East Performance Ord | 145.7 | 153.5 | +0.8 | - |
| Worldwide Performance Ord | 157.2 | 165.6 | +0.2 | - |

**Scottish Provident Assurance Ltd Fund**
(Formerly Prolific Life & Pensions Ltd)

[illegible]

**Sun Alliance Group - Contd.**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Property Growth Pension Funds** | | | | |
| Managed (Acc) | | 1162.0 | -3.2 | - |
| Managed (Cap) | | 801.3 | -1.8 | - |
| Building Society (Acc) | | 812.2 | +0.5 | - |
| Building Society (Cap) | | 488.6 | +0.2 | - |
| Conv Bldng Soc (Acc) | | 929.4 | +0.3 | - |
| Conv Bldng Soc (Cap) | | 458.1 | +0.1 | - |
| Equity (Acc) | | 927.5 | -6.8 | - |
| Equity (Cap) | | 570.7 | -4.3 | - |
| Gilt Edged (Acc) | | 488.8 | +2.8 | - |
| Gilt Edged (Cap) | | 290.2 | +1.7 | - |
| International (Acc) | | 353.2 | +0.1 | - |
| International (Cap) | | 249.3 | +0.0 | - |
| Property (Acc) | | 838.1 | +0.4 | - |
| Property (Cap) | | 327.7 | - | - |
| Pension Fund Units | | 277.0 | +0.3 | - |
| Immediate Annuity | | 313.5 | - | - |
| Retirement Annuity | | 1055.0 | - | - |

**Sun Life Unit Assurance Ltd**
St James Barton, Bristol BS99 7SL 0272-426911

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Managed Acc | 866.4 | 912.0 | -2.2 | - |
| Property Acc | 318.9 | 335.7 | +0.5 | - |
| Equity Acc | 1392.7 | 1466.0 | -7.7 | - |
| Fixed Interest Acc | 401.9 | 423.1 | +1.3 | - |
| Cash Acc | 299.8 | 315.4 | - | - |
| International Acc | 566.1 | 595.9 | +0.5 | - |
| Distribution | 291.9 | 307.3 | -0.8 | 6.16 |
| American Equity Acc | 358.6 | 377.7 | -0.6 | - |
| Far Eastern Acc | 843.7 | 894.5 | +0.3 | - |
| Index-Linked Acc | 210.1 | 221.2 | -1.0 | - |
| Japan Acc | 304.3 | 320.4 | +1.2 | - |
| Pacific Acc | 364.0 | 383.2 | -3.8 | - |
| European | 177.0 | 186.4 | -0.8 | - |
| Anniversary Bond | 142.8 | | | |

[illegible]

## MANAGEMENT SERVICES

[illegible]

## OFFSHORE INSURANCES

[illegible]

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

[illegible]

### CANADA (SIB RECOGNISED)

[illegible]

### GUERNSEY (SIB RECOGNISED)

[illegible]

### GUERNSEY (REGULATED)(**)

[illegible]

### IRELAND (SIB RECOGNISED)

[illegible]

### IRELAND (REGULATED)(**)

[illegible]

### ISLE OF MAN (SIB RECOGNISED)

[illegible]

### ISLE OF MAN (REGULATED)(**)

[illegible]

### JERSEY (SIB RECOGNISED)

[illegible]

# FT MANAGED FUNDS SERVICE

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**Midland Bank Fund Managers (Jersey) Ltd**

PO Box 26, St Helier, Jersey

**Prudential Fund Managers (Jersey) Ltd**

PO Box 103, St Helier, Jersey 0534 70000

For Royal Trust see Royal Bank of Canada

**Royal Bank of Canada (Jsy) Fd Mgt Ltd**

PO Box 194, St Helier, Jersey

**Barclays Diversified Portfolio**

14 rue Aldringen L-1118

**Jupiter Tyndall Global Fund**

13 rue Goethe L-1637 Luxembourg 010 352 404681

**Capel-Cure Myers Intnl Fd Sicav (u)**

| | Bid Price | Offer Price | + or - |
|---|---|---|---|
| Sterling Bond | £11.62 | 11.99 | |
| Sterling Growth | £13.82 | 14.56 | -0.02 |
| US Dollar Bond | $10.91 | 11.25 | |
| US Dollar Growth | $11.15 | 11.81 | +0.01 |

**Citicorp Investment Mgmt (Luxembourg) SA**

| | Bid Price | Offer Price | + or - |
|---|---|---|---|
| Super Asia Infrastructure | $10.33 | | -0.06 |

**Clemente Korea Emerging Growth Fund**

| | Bid Price | Offer Price | + or - |
|---|---|---|---|
| NAV Oct 31 | $12.37 | | +0.89 |

**Credit Commercial de France**

**NICAM Asia Pacific Umbrella Fund**

| | Bid Price | Offer Price | + or - |
|---|---|---|---|
| Asia-Pacific | $13.72 | 14.00 | |
| Hong Kong | $13.58 | 13.86 | |
| Singapore | $13.11 | 13.38 | |
| Malaysia | $14.95 | 15.27 | |
| Thailand | $15.92 | 16.26 | |
| Indonesia | $14.41 | 14.71 | |
| Philippines | $14.99 | 15.31 | |
| Oceania | $10.63 | 10.85 | |

*Prices as at November 3

**Nikko Bank (Luxembourg) S.A.**

**CA Securities Investment Fund Mgmt Ltd**

**Group One International Tst**

**Pacific Growth Fund**

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

### MANAGED FUNDS NOTES

# WORLD STOCK MARKETS

## US MARKETS (3 pm)

## CANADA (3 pm)

## JAPAN

# INDICES

### NEW YORK

| DOW JONES | Nov 11 | Nov 10 | Nov 9 | Nov 8 | 1993 HIGH | 1993 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Industrials | 3682.43 | 3683.55 | 3640.07 | 3647.90 | 3697.64 (2/11) | 3241.95 (20/1) | 3697.64 (2/11/93) | 41.22 (2/7/32) |
| Home Bonds | 109.13 | 108.97 | 108.94 | 109.00 | 109.77 (18/10) | 103.49 (11/1) | 109.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 1734.98 | 1741.39 | 1725.35 | 1727.07 | 1742.24 (1/11) | 1453.64 (4/1) | 1742.24 (1/11/93) | 12.32 (8/7/32) |
| Utilities | 223.97 | 225.68 | 225.09 | 227.13 | 256.46 (31/8) | 217.14 (8/1) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's High 3700.43 (3683.39) Low 3638.40 (3616.60) (Theoretical♣)
Day's High 3679.78 (3663.55) Low 3658.80 (3631.97) (Actual♣)

| STANDARD AND POOR'S | Nov 11 | Nov 10 | Nov 9 | Nov 8 | 1993 HIGH | 1993 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 462.64 | 463.72 | 460.33 | 460.21 | 469.50 (15/10) | 429.05 (8/1) | 469.50 (15/10/93) | 4.40 (1/6/32) |
| Industrials♥ | 534.98 | 536.39 | 530.47 | 530.39 | 537.80 (2/11) | 496.48 (26/4) | 537.80 (2/11/93) | 3.62 (21/6/32) |
| Financial | 43.87 | 44.03 | 44.02 | 43.78 | 48.40 (29/9) | 39.89 (8/1) | 48.40 (29/9/93) | 8.64 (1/10/74) |
| NYSE Composite | 258.08 | 256.57 | 254.97 | 254.72 | 260.48 (15/10) | 236.21 (8/1) | 260.48 (15/10/93) | 4.46 (25/4/42) |
| Amex Mkt. Value | 477.98 | 478.70 | 478.02 | 478.60 | 484.28 (2/11) | 395.84 (8/1) | 484.28 (2/11/93) | 29.31 (9/12/72) |
| NASDAQ Composite | 778.98 | 779.50 | 788.84 | 786.21 | 787.42 (15/10) | 645.87 (26/4) | 787.42 (15/10/93) | 54.87 (31/10/72) |

| | Nov 5 | Oct 29 | Oct 22 | Year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 2.80 | 2.77 | 2.79 | 3.20 |
| | Nov 10 | Nov 3 | Oct 27 | Year ago (approx.) |
| S & P Industrial div. yield | 2.40 | 2.41 | 2.42 | 2.65 |
| S & P Indl. P/E ratio | 28.69 | 28.61 | 28.51 | 27.72 |

### NEW YORK ACTIVE STOCKS

| Thursday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| RJR Nabisco | 7,333,300 | 6⅞ | + ⅛ |
| Telefonos | 5,914,000 | 53⅝ | + 1¼ |
| Avalon Prop | 5,668,300 | 20⅛ | — |
| General Motors | 5,354,300 | 50¼ | - ⅛ |
| Amer Barric | 5,298,300 | 29¼ | + 2 |
| Merck | 4,453,800 | 32⅞ | + ⅛ |
| Vesta Ins | 4,134,700 | 25 | — |
| Amer T & T | 3,911,400 | 56⅞ | + 1½ |
| IBM | 3,683,400 | 51⅞ | + 2 |
| Philip Morris | 3,053,300 | 56¼ | + 1⅞ |

### TRADING ACTIVITY

| † Volume Millions | Nov 11 | Nov 10 | Nov 9 |
|---|---|---|---|
| New York SE | 283,824 | 283,371 | 275,864 |
| Amex | 17,780 | 18,814 | 17,335 |
| NASDAQ | (u) | 303,854 | 316,796 |
| **NYSE** | | | |
| Issues Traded | 2,656 | 2,688 | 2,672 |
| Rises | 912 | 1,194 | 1,300 |
| Falls | 1,110 | 860 | 896 |
| Unchanged | 634 | 614 | 576 |
| New Highs | 69 | 49 | 48 |
| New Lows | 26 | 29 | 19 |

### CANADA

| TORONTO | Nov 11 | Nov 10 | Nov 9 | Nov 8 | 1993 HIGH | 1993 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3153.99 | 3069.68 | 3051.28 | 3058.66 | 3153.98 (11/11) | 2743.31 (21/1) |
| Composite | 4291.26 | 4269.53 | 4251.39 | 4216.50 | 4291.26 (11/11) | 3275.80 (21/1) |
| MONTREAL Portfolio | 2027.41 | 2023.24 | 2014.91 | 2006.78 | 2027.41 (11/11) | 1720.97 (21/1) |

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

| | Nov 12 | Nov 11 | Nov 10 | Nov 9 | 1993 HIGH | 1993 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 2074.0 | 2082.4 | 2042.9 | 2050.8 | 2132.40 (1/11) | 1495.00 (13/1) |
| All Mining (1/1/80) | 870.4 | 884.8 | 868.0 | 875.1 | 904.50 (2/8) | 584.70 (13/1) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 413.31 | 413.77 | 419.00 | 420.06 | 424.59 (2/11) | 300.26 (14/1) |
| Traded Index (2/1/91) | 1052.81 | 1054.73 | 1067.33 | 1069.07 | 1094.43 (2/11) | 712.06 (15/1) |
| **BELGIUM** | | | | | | |
| BEL20 (1/1/91) | 1368.47 | 1367.33 | 1367.33 | 1368.04 | 1381.99 (4/11) | 1125.46 (4/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 351.94 | 352.21 | 352.67 | 352.38 | 355.14 (4/11) | 261.90 (4/1) |
| **FINLAND** | | | | | | |
| HEX General (28/12/90) | 1531.0 | 1532.9 | 1520.1 | [illegible] | 1607.70 (3/11) | 843.10 (22/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/81) | 582.16 | (c) | 590.97 | [illegible] | 609.73 (28/10) | 471.24 (13/1) |
| CAC 40 (31/12/87) | 2096.65 | (c) | 2087.33 | 2112.89 | 2231.86 (22/10) | 1772.21 (29/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 777.90 | 779.53 | 784.98 | 779.86 | 803.70 (3/11) | 596.92 (14/1) |
| Commerzbank (1/12/53) | 2222.00 | 2228.00 | 2244.90 | 2230.20 | 2300.40 (3/11) | 1694.30 (14/1) |
| DAX (30/12/87) | 2015.01 | 2023.33 | 2023.84 | 2022.83 | 2095.58 (2/11) | 1516.50 (13/1) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 8701.25 | 8874.82 | 9325.44 | 9086.47 | 8701.25 (12/11) | 5437.80 (4/1) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1630.05 | 1842.00 | 1831.48 | 1825.65 | 1849.27 (3/11) | 1191.19 (11/1) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 546.32 | 538.97 | 533.45 | 546.38 | 632.86 (30/8) | 446.33 (8/1) |
| MIB Generale (4/1/93) | 1024.0 | 1188.0 | 1176.0 | 1204.0 | 1390.00 (30/8) | 992.00 (11/1) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 18493.55 | 18158.52 | 18121.71 | 18125.71 | 21148.11 (13/9) | 16287.45 (25/1) |
| Tokyo SE (Topix) (4/1/68) | 1566.07 | 1534.58 | 1534.78 | 1544.76 | 1698.67 (3/9) | 1250.06 (25/1) |
| 2nd Section (4/1/68) | 2022.50 | 1974.57 | 1970.86 | 1994.21 | 2384.97 (7/6) | 1651.72 (29/1) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 972.47 | 967.60 | 950.89 | 937.66 | 982.03 (3/11) | 614.28 (13/1) |
| **NETHERLANDS** | | | | | | |
| CBS Tt.Rtn.Gen.(End 1983) | 404.6 | 404.1 | 408.7 | 412.9 | 419.30 (4/11) | 295.70 (4/1) |
| CBS All Shr (End 1983) | 262.4 | 262.1 | 265.8 | 267.8 | 272.00 (4/11) | 198.60 (13/1) |
| **NORWAY** | | | | | | |
| Oslo SE Indl (2/1/83) | 1001.19 | 991.68 | [illegible] | 1007.96 | 1034.93 (29/10) | 669.93 (27/1) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 2366.70 | 2371.87 | 2367.87 | 2340.07 | 2467.50 (3/11) | 1270.68 (4/1) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 548.49 | 552.25 | 543.61 | 538.55 | 564.35 (1/11) | 394.10 (13/1) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1983.0♥ | 1978.0 | 1900.0 | 1887.0 | 2098.00 (30/7) | 775.00 (5/1) |
| JSE Industrial (28/9/78) | 4621.0♥ | 4607.0 | 4572.0 | 4548.0 | 4719.00 (6/7) | 4333.00 (19/4) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 791.47 | 783.35 | 777.89 | 780.30 | 791.47 (12/11) | 605.93 (6/3) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 300.04 | 300.57 | 300.86 | [illegible] | 310.28 (22/10) | 215.60 (4/1) |
| **SWEDEN** | | | | | | |
| Affarsvarlden Gen. (1/2/37) | (u) | 1398.30 | 1382.10 | 1401.60 | 1435.10 (4/11) | 879.10 (29/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 1182.51 | 1180.62 | 1185.33 | 1182.37 | 1185.33 (10/11) | 904.80 (11/1) |
| SBC General (1/4/87) | 929.72 | 929.16 | [illegible] | 931.81 | 937.60 (3/11) | 678.70 (11/1) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | (c) | 4271.14 | 4191.41 | 4172.44 | 5013.28 (7/4) | 3098.43 (9/1) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 1380.84 | 1371.36 | 1347.62 | 1315.33 | 1380.84 (12/11) | 818.64 (1/6) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) $ | 598.7* | 593.2 | 591.2 | 589.3 | 607.10 (15/10) | 488.60 (13/1) |
| Euro Top-100 (26/6/90) | 1138.92 | [illegible] | 1134.91 | 1140.40 | 1175.45 (22/10) | 862.73 (13/1) |

**Saturday November 6: Taiwan Weighted Price: 4221.60, Korea Comp Ex: 769.37
♥ Subject to official recalculation. *Calculated at 15.00 GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and OAA - 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500. (c) Closed. (u) Unavailable

# WORLD STOCK MARKETS

AMERICA

## Retail sales data propel Dow higher

### Wall Street

NEWS of stronger-than-expected retail sales propelled US share prices to big gains yesterday as stock markets ended the week on a positive note, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 17.60 at 3,680.03. The more broadly based Standard & Poor's 500 was 1.98 higher at 464.60, while the Amex composite was up 1.53 at 479.51, and the Nasdaq composite eased 0.16 at 778.82. Trading volume on the NYSE was 180m shares by 1 pm.

Prices moved higher from the opening bell as investors bought stocks in reaction to the commerce department's announcement that retail sales had risen 1.5 per cent in October. Analysts had been expecting a 1 per cent rise.

The figures were just the latest in an increasingly long line of economic data that has proved stronger than expected, supporting the impression that the economy has been growing this autumn at a pace substantially faster than in the first half of the year.

Sentiment was also aided by the surprising reaction of the bond market to the retail sales data. Normally, signs of economic strength depress bonds, but yesterday bond prices rose. The gains were put down to demand from dealers, who feel that bond prices may have been sold too heavily recently.

Tobacco companies were widely sought after Philip Morris said that it would match the cigarette price increases unveiled earlier this week by its main rival, RJR Nabisco. The prices increases have raised hopes among investors that the damaging price war between cigarette makers has ended. Philip Morris climbed $2 to $58⅞, RJR Nabisco added $¼ at $7⅝ and American Brands rose $1¼ to $35⅞.

Economically-sensitive stocks were mostly higher, especially forestry product companies. Louisiana-Pacific rose $1⅝ to $41⅛, Georgia-Pacific put on $3⅞ at $74 and International Paper firmed $1¼ to $65⅞.

Digital Equipment rose $1⅛ to $38⅛ after Goldman Sachs opened its coverage of the stock by rating the shares a "trading buy". The same recommendation, however, did not help IBM, which firmed only $¼ to $51⅞.

Best Buy plunged $6⅝ to $47⅞ in heavy trading as investors continued to sell the stock on concern that the company will suffer from price competition from its chief rival in the electronic appliance retail business, Circuit City.

MEXICAN equities were modestly higher in early trading as the market continued to be supported by expectations that Nafta would be passed by the US congress next week. The IPC index was up 8.66 to 2,065.01 in volume of 10m shares. Telefonos de Mexico L shares were quoted up 1 per cent in spite of falling back on Wall Street.

### Canada

TORONTO edged back from early levels by noon, the TSE 300 composite index registering a rise of 2.25 at 4,293.51 in volume of 55.7m shares. Inco added C$⅜ to C$31⅝ in continued positive reaction to a series of presentations to analysts.

### SOUTH AFRICA

THE market was firmer ahead of the weekend on good demand for a broad range of issues. The gold index added 7 to 1,983, industrials 14 to 4,621, and the overall index 29 to 4,110. De Beers added 75 cents to R86.

## Reform proves an uphill struggle for Milan

**Haig Simonian** looks at the effects of political and economic change on the Italian market

For one Milan analyst, the business outlook for Italy is like the ascent of Mont Blanc, Europe's highest mountain on the Franco-Italian border.

For years, delays in tackling chronic economic problems such as the budget deficit and monopolistic state industries meant the summit was so far out of reach as to be invisible.

Then in 1992, the government of prime minister Giuliano Amato instigated a stream of reforms, axing state spending and sweeping away restrictive practices so energetically as to part the clouds and make the peak almost attainable.

The ascent has accelerated under the new government of prime minister Carlo Azeglio Ciampi. Privatisation has been pushed forward, wage indexation abolished and inflation reduced. "Suddenly, the summit, still some way off, looked as if it could be conquered," says the analyst.

But as many mountaineers know, Mont Blanc is infamous for its deep crevasses. Out of nowhere, huge chasms, sometimes camouflaged by a thin layer of ice, can suddenly appear.

The crevasses have emerged with a vengance this month as Italian share prices have plummeted in the light of unexpected political difficulties in Rome.

Though the gloom lifted slightly by mid-week, the end result left the Comit index down 1.6 per cent on the week at 546.32. The biggest bombshells have come over the 1994 budget, which is an essential part of the government's budget cutting plans.

After having made reasonable progress, helped by an unprecedentedly early start, parliamentary debate on the budget has run into trouble.

Mr Ciampi is now racing against time. Although previous governments have missed the formal year-end deadline for parliamentary approval of the next year's budget, some fear that he may treat failure as a point of principle, and consider resigning.

As a former governor of the Bank of Italy, Mr Ciampi regularly fulminated against governments which failed to meet the December 31 target.

The budget has become hostage to a broader debate about the timing of new elections. In the past month, members of parliament fearing the loss of their seats – or perhaps worse if involved in the corruption scandal – have used the budgetary process to hold up broader political change.

Matters have been worsened by this month's stream of leaks about alleged payments by Italy's security services to senior politicians, including Mr Oscar Luigi Scalfaro, now head of state.

The allegations, made by top members of the security services under investigation for alleged embezzlement, have been dismissed by many as deliberate disinformation. However, some of the mud has stuck, and the impact has given a jolt to the political establishment.

The renewed political uncertainty has blocked the government's path in the tackling of Italy's economic problems, and has even been perceived as an obstacle to the broader process of change, which is expected to culminate in a general election in early 1994.

Continuing difficulties on the business front have exacerbated the bearish sentiment on the bourse. Hopes of an early end to the recession are fading; this week, Mr Giovanni Agnelli, the Fiat chairman, suggested that the upturn in the motor sector would come later than expected.

Separately, the warning signals from the US that the downward trend in world interest rates might be reversed have subsided, but sentiment remains wary.

The bears have also taken note of the heavy cash calls overhanging the bourse. On Monday, Fiat shareholders will decide at a special meeting to approve the mammoth L3,235bn ($1.95bn) rights issue announced in September. Other deals pending include Mediobanca's L1,000bn capital increase and the L492bn rights issue by Ifil.

Privatisation will soon swell the demands for cash. Next month sees the launch of Italy's first big flotation of a state-controlled company with the sale of the government's stake in the Credito Italiano banking group. Other disposals are due to follow thick and fast.

An initial tranche of shares in Istituto Mobiliare Italiano, the Rome-based financial services group, is scheduled for early February. Two months later, investors are expected to be asked to stump up for shares in Banca Commerciale Italiana, another big state-controlled bank.

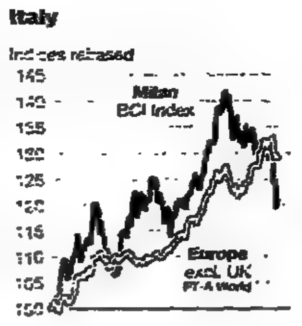
This week's bout of nerves on the stock market may be forgotten quickly if the structural shift of retail savings from government bonds into equities, seen during the summer, is repeated. Mr Nils Peter Gyllenbaga, an analyst at CS First Boston in Milan, says the weight of money from private savings could trigger renewed share price rises before long.

Before that however, the political picture will have to clarify. Though Mr Ciampi's government may emerge from the present impasse of political manoeuvrings over the budget and disinformation about political corruption to return to the ascent, the upward path for Italian shares is strewn with hazards.

The most ominous among them is the election, assuming it takes place in the early months of next year. Observers widely forecast heavy support for the autonomist Northern Leagues, the Democratic Party of the Left (the former Communists) and a weakened Christian Democrat party, ever more dependent on voters in the south.

How such a threesome could form a government is the biggest imponderable in Italian politics at present. Although Mr Ciampi and his immediate predecessor can be satisfied by the distance they have climbed, the rest of the way is littered with perils.

Italy




Source: Datastream

EUROPE

## Amsterdam ahead despite Unilever disappointment

INDIVIDUAL stories moved bourses yesterday, *writes Our Markets Staff.*

AMSTERDAM rose in spite of declines in Royal Dutch and Unilever. The CBS Tendency index added 1.9 to 135.4, for a fall on the week of just under 1 per cent.

Unilever's third quarter results disappointed many analysts – the shares slipping Fl 2.70 to Fl 210.00, but recovering from the day's low of Fl 204.00 – coming in at the lower end of expectations. However, some brokers commented that an element of profit-taking may also have been occurring in recent days after the shares recorded a new closing high of Fl 218 earlier this month.

Royal Dutch slipped to an intraday low of Fl 193.10 before closing off 30 cents at Fl 196.80. ABN Amro yesterday downgraded its 1993 earnings estimates because of the low price for crude, and lowered its 1993 eps forecasts from Fl 12.00 to Fl 11.50 and for 1994 to Fl 14.50 against Fl 15.00, mainly due to an improvement in the chemicals division.

FRANKFURT's cash market had a quiet session, the DAX index falling 8.32 to 2,015.01, fractionally higher on the week; but excitement in futures after hours left the Ibis indicated DAX at 2,023.5 by the end of the afternoon.

German reaction to the US retail figures incorporated gains in both DAX and bund futures, said Mr Nigel Longley at Commerzbank in Frankfurt. Indications of higher 1993 profits from the Allianz management board chairman in Budapest took the shares up DM13 to DM2,775 at one point in the afternoon after a low of DM2,735 earlier in the day.

Turnover fell from DM7.6bn to DM6.7bn. During the session, Schering dropped DM33 to DM1,047 on continued disappointment with its nine-month results, as well as on concern about lower sales of prescription drugs in Europe by the industry this year.

Linde fell another DM13 to DM816 after its forecast that lower sales would hit profits this year.

PARIS, closed on Thursday, struggled to find new incentives, although very heavy trade was seen in Euro Disney as domestic investors caught up with the story. The CAC-40 index lost 9.52 to 2,096.85, a week's rise of almost 1 per cent.

Euro Disney was suspended twice after falling by the maximum permitted limit, before finally ending off FFr5.50 or 14.5 per cent at FFr32.50. Some buyers were seen re-entering the market during the session. The shares have tumbled 27.5 per cent on the week, following Wednesday's announcement of heavy losses.

Michelin was up FFr4.40 at FFr181.50 ahead of an 8 per cent fall in third quarter turnover, reported after the close.

ZURICH overcame some early weakness but was unable to make much subsequent headway as the market again consolidated gains seen earlier in the week. The SMI index finished 1.0 higher at 2,721.1 for a 2.5 per cent rise on the week.

Speculative buying took Roche certificates SFr90 higher to a record SFr5,990 in heavy volume after a presentation to analysts on Thursday.

STOCKHOLM was moderately higher with Astra B shares up SKr3 at SKr170 following a rise in third quarter profit of some 70 per cent. However, the pharmaceuticals group commented that profits in the fourth quarter were not likely to show the same rise.

The Affärsvärlden general index gained 4.0 to 1,402.3, barely moved on the week. Turnover was SKr1.4bn.

Written and edited by William Cochrane, John Pitt and Michael Morgan.

### FT-SE Actuaries Share Indices

November 12 — THE EUROPEAN SERIES

| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1328.82 | 1328.56 | 1329.21 | 1330.55 | 1330.94 | 1333.11 | 1337.09 | 1339.42 |
| FT-SE Eurotrack 200 | 1396.52 | 1395.35 | 1394.50 | 1395.59 | 1395.43 | 1398.81 | 1402.08 | 1402.18 |

| | Nov 11 | Nov 10 | Nov 9 | Nov 8 | Nov 5 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1335.92 | 1334.90 | 1346.87 | 1337.43 | [illegible] |
| FT-SE Eurotrack 200 | 1403.42 | 1401.16 | 1405.41 | 1395.82 | 1399.44 |

Base value 1000 (26/10/90) High/day: 100 - 1339.42; 200 - 1404.20 Low/day: 100 - 1327.92 200 - 1394.16

ASIA PACIFIC

## Bargain hunting brings Nikkei recovery

### Tokyo

BARGAIN-hunting and buying of Nikkei 300 stocks boosted share prices, and the Nikkei 225 index jumped 1.8 per cent, *writes Emiko Terazono in Tokyo.*

The 225 closed up 335.08 at 18,493.55, down 0.5 per cent on the week. It fell to a low of 18,104.21 soon after the opening, and rose to a high of 18,592.26 in the afternoon.

Volume totalled 442.9m shares against 310m. Gainers overwhelmed losers by 947 to 113 with 105 unchanged, the Topix index of all first section stocks surged 31.49, or 2.1 per cent to 1,566.07 and, in London, the ISE/Nikkei 50 index rose 3.25 to 1,259.59.

The ministry of finance announced that it would allow investment trusts to set up funds linked to the Nikkei 300 index, prompting buying of component shares of the index.

Brokers were seen buying on their own accounts, together with some life insurance companies. Investors were also encouraged by the absence of selling pressure from yesterday's settlement of the November options contract.

Foreigners were seen buying large-capital shares, including leading steel companies. Nippon Steel gained Y12 to Y336.

Bank stocks were strong on index-linked buying and bargain hunting. Industrial Bank of Japan gained Y90 to Y3,230 and Mitsubishi Bank advanced Y80 to Y2,980.

Chichibu Cement, which is to be absorbed by Onoda Cement, fell Y150 to Y1,050. Daishowa Paper, whose chairman was arrested, allegedly for bribing politicians, found no buyers and closed at an offered price of Y1,330.

In Osaka, the OSE average rose 370.08 to 20,606.36 in volume of 20.9m shares. Aoyama Trading, a retailer of low-priced men's suits, gained Y140 to Y8,270 after reporting a surge in interim sales and earnings.

### Roundup

THE region closed the week broadly higher. Taiwan and Bombay were closed, the latter remaining so until November 15 because of Diwali.

HONG KONG saw mixed fortunes, after recording a new intraday high of 9,726, then losing 74 points, before finally closing higher. The Hang Seng index ended up 26.42 to 9,701.25, a week's rise of nearly 8 per cent. Turnover fell from HK$10.4bn to HK$8.6bn.

HSBC Holdings eased 50 cents to HK$89.50 while Cheung Kong gained 25 cents to HK$38.25.

SINGAPORE mainly ignored a 9 per cent rise in third quarter GDP, which was generally in line with forecasts, and the Straits Times Industrial index closed up 2.92 at 2,112.00, up 2 per cent on the week.

SEOUL rose to another high for the year with smaller capitalisation stocks showing steady gains. The composite index added 8.13 to 791.47, up 2.3 per cent on the week. Turnover was Won1,010bn.

Samsung Electronics and Posco both went against the trend, falling respectively by Won1,000 and Won800 to Won49,000 and Won34,700.

KUALA LUMPUR saw some profit-taking but Tenaga Nasional, the utility, helped the composite index to a gain of 4.87 to 972.47, up 3 per cent on the week. Tenaga rose 50 cents to M$13.50.

AUSTRALIA built on Thursday's gains helped by active domestic buying. The All Ordinaries index rose 21.6 to 2,074.0, barley changed on the week.

News Corp returned to favour, the shares adding 30 cents to A$10.48.

Banks were active ahead of earnings reports next week: NAB gained 14 cents to A$12.34, ANZ added 9 cents to A$4.40 and Westpac rose 5 cents to A$4.43.

NEW ZEALAND recovered some ground lost during the week following the general election. The NZSE-40 capital index put on 25.37 to 2,009.89, down 7.6 per cent since the poll. In contrast, BANGKOK's SET index finished 9.58 ahead at 1,380.84 after an intraday high of 1,399.59, up 7 per cent this week.

### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | THURSDAY NOVEMBER 11 1993 | | | | | | | | WEDNESDAY NOVEMBER 10 1993 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1993 High | 1993 Low | Year ago (approx) |
| Australia (69) | 153.65 | +0.3 | 154.06 | 103.38 | 135.13 | 154.34 | +0.6 | 3.36 | 153.12 | 153.81 | 103.76 | 134.70 | 153.38 | 162.83 | 117.39 | 110.36 |
| Austria (17) | 173.31 | -1.1 | 173.79 | 116.62 | 152.41 | 152.07 | -1.2 | 1.04 | 175.16 | 175.94 | 118.70 | 154.09 | 153.95 | 184.47 | 131.16 | 139.13 |
| Belgium (42) | 151.23 | [illegible] | 151.65 | 101.75 | 132.99 | 134.83 | +0.0 | 4.28 | 150.80 | 151.28 | 102.05 | 132.48 | 134.63 | 156.76 | 131.19 | 136.50 |
| Canada (107) | 134.79 | +0.0 | 135.17 | 90.70 | 118.53 | 128.35 | +0.5 | 2.61 | 134.85 | 135.45 | 91.37 | 118.61 | 127.72 | 134.85 | 111.41 | 114.90 |
| Denmark (32) | 238.93 | -0.2 | [illegible] | 160.78 | 210.12 | 218.86 | -0.4 | 1.04 | 239.30 | 240.37 | 162.16 | 210.50 | 219.85 | 241.06 | 185.11 | 200.13 |
| Finland (23) | 122.09 | +1.4 | 122.42 | 82.15 | 107.37 | 148.39 | +1.1 | 0.70 | 120.43 | 120.97 | 81.61 | 105.94 | 146.72 | 128.99 | 85.50 | 70.28 |
| France (98) | 161.81 | +0.1 | 162.06 | 108.74 | 142.11 | 149.38 | +0.0 | 3.11 | 161.47 | 162.19 | 109.41 | 142.03 | 149.38 | 173.05 | 142.72 | 149.35 |
| Germany (60) | 130.61 | +0.0 | 130.97 | 87.90 | 114.86 | 114.86 | +0.0 | 1.95 | 130.64 | 131.22 | 88.53 | 114.91 | 114.91 | 136.13 | 101.59 | 105.83 |
| Hong Kong (55) | 390.06 | +3.6 | 391.14 | 262.48 | 343.04 | [illegible] | +3.5 | 2.83 | 376.61 | 378.29 | 255.20 | 331.31 | 373.71 | 390.06 | 218.62 | 262.28 |
| Ireland (14) | 177.50 | +0.7 | 177.98 | 119.44 | 156.09 | 178.07 | +0.4 | 3.15 | 176.32 | 177.11 | 119.48 | 155.10 | 177.40 | 177.89 | 129.26 | 128.61 |
| Italy (70) | 62.65 | [illegible] | 63.02 | 42.29 | 55.27 | 77.75 | +3.4 | 2.15 | 61.12 | 61.39 | 41.41 | 53.76 | 75.22 | 78.93 | 53.78 | 58.74 |
| Japan (469) | 145.48 | +0.7 | 145.88 | 97.88 | 127.95 | 97.88 | +0.0 | 0.84 | 144.51 | 145.16 | 97.93 | 127.14 | 97.93 | 165.91 | 100.75 | 100.79 |
| Malaysia (69) | 482.79 | +2.4 | [illegible] | 324.65 | 424.56 | [illegible] | +2.3 | 1.45 | 471.61 | 473.71 | 319.56 | 414.85 | 462.98 | 487.72 | 251.66 | 280.93 |
| Mexico (19) | 1823.41 | +4.9 | 1828.45 | 1226.95 | 1603.52 | 6359.65 | +3.9 | 0.78 | 1738.93 | 1746.69 | 1178.35 | 1529.68 | 6122.03 | 1867.70 | 1410.30 | 1532.78 |
| Netherland (26) | 190.12 | -1.2 | 190.65 | 127.93 | 167.20 | 164.61 | -1.5 | 3.22 | 192.45 | 193.31 | 130.41 | 169.30 | 167.06 | 197.07 | 150.39 | 151.83 |
| New Zealand (13) | 59.41 | -1.2 | 59.58 | 39.98 | 52.25 | 58.41 | -1.2 | 3.86 | 60.14 | 60.41 | 40.76 | 52.91 | 59.14 | 68.38 | 40.56 | 38.89 |
| Norway (23) | 175.08 | -0.3 | 175.56 | 117.81 | 153.97 | 174.60 | -0.7 | 1.46 | 175.65 | 176.44 | 119.03 | 154.52 | 175.89 | 185.10 | 137.71 | 133.49 |
| Singapore (38) | 318.21 | +2.1 | 319.09 | 214.12 | 279.83 | 233.34 | +2.0 | 1.37 | 311.62 | 313.01 | 211.16 | 274.11 | 228.69 | 332.55 | 207.04 | 198.75 |
| South Africa (60) | 219.05 | [illegible] | 219.66 | 147.39 | 192.63 | 206.59 | +1.8 | 2.62 | 209.06 | 209.99 | 141.66 | 183.90 | 203.00 | 219.05 | 144.72 | 143.47 |
| Spain (42) | 137.79 | -0.5 | 138.17 | 92.72 | 121.17 | 142.89 | +0.0 | 4.14 | 138.48 | 139.10 | 93.84 | 121.81 | 142.52 | 145.24 | 115.23 | 108.46 |
| Sweden (36) | 195.65 | +1.0 | 196.19 | 131.66 | 172.08 | 238.96 | +1.3 | 1.41 | 193.74 | 194.60 | 131.29 | 170.43 | 236.90 | 208.92 | 149.70 | 153.70 |
| Switzerland (50) | 146.40 | -0.7 | 146.81 | 98.52 | 128.78 | 135.78 | -0.5 | 1.60 | 147.47 | 148.13 | [illegible] | 129.74 | 136.50 | 148.18 | 108.91 | 107.88 |
| United Kingdom (218) | 185.68 | +0.1 | 186.19 | 124.93 | 163.27 | 186.19 | +0.0 | 3.85 | 185.40 | 186.28 | 125.64 | 163.10 | 186.28 | 193.97 | 162.00 | 165.06 |
| USA (519) | 188.51 | -0.2 | 189.03 | 126.85 | 165.78 | 188.51 | -0.2 | 2.74 | 188.80 | 189.64 | 127.94 | 166.09 | 188.80 | 191.56 | 175.38 | 172.85 |
| Europe (751) | 156.68 | +0.1 | 157.11 | 105.43 | 137.79 | 151.24 | +0.0 | 3.00 | 156.59 | 157.29 | 106.11 | 137.75 | 151.23 | 162.97 | 133.92 | 133.63 |
| Nordic (114) | 187.00 | +0.7 | 187.52 | 125.83 | 164.45 | 197.47 | +0.7 | 1.24 | 185.73 | 186.55 | 125.85 | 163.38 | 196.03 | 194.54 | 142.13 | 144.85 |
| Pacific Basin (714) | 154.47 | +0.9 | 154.89 | 103.94 | 135.84 | 108.22 | +0.3 | 1.11 | 153.10 | 153.79 | 103.75 | 134.68 | 107.90 | 166.60 | 105.26 | 106.29 |
| Euro-Pacific (1465) | 155.27 | +0.5 | 155.70 | 104.47 | 136.54 | 126.26 | +0.2 | 1.90 | 154.44 | 155.13 | 104.64 | 135.85 | 125.04 | 162.86 | 117.28 | 117.35 |
| North America (626) | 185.15 | -0.1 | 185.67 | 124.60 | 162.85 | 184.38 | -0.1 | 2.73 | 185.43 | 186.26 | 125.67 | 163.14 | 184.61 | 187.68 | 171.51 | 169.26 |
| Europe Ex. UK (533) | 138.01 | +0.0 | 138.39 | 92.89 | 121.40 | 130.57 | +0.0 | 2.45 | 138.00 | 138.62 | 93.53 | 121.42 | 130.52 | 142.73 | 112.51 | 114.51 |
| Pacific Ex. Japan (245) | 241.16 | +2.2 | 241.82 | 162.30 | 212.10 | 223.80 | +2.2 | 2.64 | 236.07 | 237.12 | 159.99 | 207.68 | 218.97 | 245.12 | 152.70 | 160.25 |
| World Ex. US (1651) | 156.34 | +0.6 | 156.78 | 105.21 | 137.49 | 127.78 | +0.3 | 1.91 | 155.35 | 156.05 | 105.28 | 136.66 | 127.46 | 162.89 | 118.51 | 118.42 |
| World Ex. UK (1952) | 164.18 | +0.4 | 164.63 | 110.48 | 144.40 | 142.72 | +0.1 | 2.05 | 163.59 | 164.32 | 110.86 | 143.92 | 142.56 | 169.65 | 134.22 | 133.07 |
| World Ex. So. Af. (2110) | 165.82 | +0.3 | 166.27 | 111.59 | 145.83 | 146.08 | +0.1 | 2.22 | 165.33 | 166.07 | 112.04 | 145.45 | 145.95 | 170.46 | 137.29 | 135.91 |
| World Ex. Japan (1701) | 178.76 | +0.2 | 179.26 | 120.30 | 157.23 | 175.12 | +0.2 | 2.80 | 178.40 | 179.20 | 120.90 | 156.96 | 174.85 | 181.67 | [illegible] | 155.82 |
| The World Index (2170) | 166.08 | +0.3 | 166.54 | 111.76 | 146.06 | 146.61 | +0.1 | 2.23 | 165.52 | 166.26 | 112.17 | 145.51 | 146.47 | 170.69 | 137.32 | 135.85 |



Latest prices were unavailable for this edition. Markets closed November 11: Belgium and France. Constituent change with effect 15/11/93: Deletion: Amax (USA).

### LONDON SHARE SERVICE

#### BRITISH FUNDS

| Notes | Price £ | + or - | 1993 high | 1993 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| **"Shorts" (Lives up to Five Years)** | | | | | | |
| Treas 8½pc 1994 | [illegible] | [illegible] | [illegible] | [illegible] | 8.45 | 5.47 |
| 14½pc 1994‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 14.12 | 5.47 |
| Exch 13½pc 1994 | [illegible] | [illegible] | [illegible] | [illegible] | 13.03 | 5.41 |
| Treas 10pc Ln 1994‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 9.74 | 5.36 |
| Exch 12½pc 1994 | [illegible] | [illegible] | [illegible] | [illegible] | 11.87 | 5.31 |
| Treas 9pc 1994‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 8.69 | 5.32 |
| 12pc 1995 | [illegible] | [illegible] | [illegible] | [illegible] | 11.18 | 5.32 |
| Exch 3pc Gas 90-95 | [illegible] | [illegible] | [illegible] | 94 | 3.08 | 4.80 |
| 10¼pc 1995 | [illegible] | [illegible] | [illegible] | [illegible] | 9.52 | 6.30 |
| Treas 12¾pc 1995‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 11.21 | 5.45 |
| 14pc 1996 | [illegible] | [illegible] | [illegible] | [illegible] | 11.98 | 5.62 |
| 15¼pc 1996‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 12.61 | 5.61 |
| Exch 13¼pc 1996‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 11.29 | 5.80 |
| Conversion 10pc 1996 | [illegible] | [illegible] | [illegible] | [illegible] | 8.98 | 5.79 |
| Treas 13¼pc 1997‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 10.89 | 5.93 |
| Exch 10½pc 1997 | [illegible] | [illegible] | [illegible] | [illegible] | 9.27 | 5.92 |
| Treas 8¾pc 1997‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 8.01 | 5.98 |
| Exch 15pc 1997 | [illegible] | [illegible] | [illegible] | [illegible] | 11.48 | 6.15 |
| 9¾pc 1998 | [illegible] | [illegible] | [illegible] | [illegible] | 8.65 | 6.19 |
| Treas 7¼pc 1998‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 6.96 | 6.09 |
| 7¾pc 1998 B‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 6.95 | 6.10 |
| Treas 6¾pc 1995-98‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 6.64 | 5.96 |
| 14pc '98-1 | [illegible] | [illegible] | [illegible] | [illegible] | 10.83 | 6.43 |
| **Five to Fifteen Years** | | | | | | |
| Treas 15½pc '98‡‡ | 139 | [illegible] | [illegible] | [illegible] | 11.22 | 6.31 |
| Exch 12pc 1998 | [illegible] | [illegible] | [illegible] | [illegible] | 9.73 | 6.45 |
| Treas 9½pc 1999‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 8.39 | 6.40 |
| Exch 12¼pc 1999 | [illegible] | [illegible] | [illegible] | [illegible] | 9.77 | 6.55 |
| Treas 10½pc 1999 | [illegible] | [illegible] | [illegible] | [illegible] | 8.85 | 6.46 |
| Treas Flt Rate 1999 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 6.36 |
| Conversion 10¼pc 1999 | [illegible] | [illegible] | [illegible] | [illegible] | 8.67 | 6.52 |
| 9pc 2000‡‡ | [illegible] | [illegible] | [illegible] | 105 | 7.96 | 6.43 |
| Treas 13pc 2000 | [illegible] | [illegible] | [illegible] | [illegible] | 9.70 | 6.76 |
| 10pc 2001 | [illegible] | [illegible] | [illegible] | [illegible] | 8.46 | 6.76 |
| 7pc '01 ‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 6.89 | 6.65 |
| 9¾pc 2002 | [illegible] | [illegible] | [illegible] | [illegible] | 8.22 | 6.87 |
| 8pc 2003‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 7.38 | 6.78 |
| 10pc 2003 | [illegible] | [illegible] | [illegible] | [illegible] | 8.22 | 6.91 |

#### BRITISH FUNDS - Cont.

| Notes | Price £ | + or - | 1993 high | 1993 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| Treas 11½pc 2001-4 | [illegible] | [illegible] | [illegible] | [illegible] | 9.17 | 7.00 |
| Funding 3½pc '99-4 | [illegible] | [illegible] | [illegible] | [illegible] | 4.36 | 6.03 |
| Conversion 9½pc 2004 | 119 | [illegible] | [illegible] | [illegible] | 7.96 | 6.98 |
| Treas 6¾pc 2004 | [illegible] | — | [illegible] | [illegible] | 6.64 | 6.83 |
| Conv 9½pc 2005 | [illegible] | [illegible] | [illegible] | [illegible] | 7.96 | 7.01 |
| Treas 12½pc 2003-5 | [illegible] | [illegible] | [illegible] | [illegible] | 9.11 | 7.21 |
| 7¾pc 2006‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 7.30 | 7.01 |
| 8pc 2002-6‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 7.60 | 7.00 |
| Treas 11¾pc 2003-7 | [illegible] | [illegible] | [illegible] | [illegible] | 9.04 | 7.30 |
| Treas 8½pc 2007‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 7.56 | 7.08 |
| 8½pc 2007 C‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 7.57 | 7.08 |
| 13½pc '04-8 | [illegible] | [illegible] | [illegible] | [illegible] | 9.30 | 7.22 |
| **Over Fifteen Years** | | | | | | |
| Treas 9pc 2008‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 7.66 | 7.11 |
| 8pc 2009 | [illegible] | [illegible] | [illegible] | [illegible] | 7.40 | 7.13 |
| Conv 9pc Ln 2011‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 7.80 | 7.14 |
| 9pc 2011 D‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 7.80 | 7.15 |
| Treas 9pc 2012‡‡ | 118 | [illegible] | [illegible] | [illegible] | 7.56 | 7.13 |
| Treas 5½pc 2008-12‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 6.33 | 6.73 |
| Treas 8pc 2013‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 7.33 | 7.12 |
| 7¾pc 2012-15‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 7.28 | 7.06 |
| Treas 8¾pc 2017‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 7.40 | 7.13 |
| Exch 12pc '13-'17 | [illegible] | [illegible] | [illegible] | [illegible] | 8.05 | 7.29 |
| **Undated** | | | | | | |
| Consols 4pc | [illegible] | [illegible] | [illegible] | [illegible] | 7.37 | - |
| War Loan 3½pc‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 7.18 | - |
| Conv 3½pc '61 Aft | [illegible] | [illegible] | [illegible] | [illegible] | 5.28 | - |
| Treas 3pc '66 Aft | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | - |
| Consols 2½pc | [illegible] | [illegible] | [illegible] | [illegible] | 7.27 | - |
| Treas. 2½pc | [illegible] | — | [illegible] | [illegible] | 7.37 | - |

#### BRITISH FUNDS - Cont.

| Index-Linked (b) | Price £ | + or - | 1993 high | 1993 low | Yield (1) | Yield (2) |
|---|---|---|---|---|---|---|
| Treas 2pc '94 (102.9) | [illegible] | [illegible] | [illegible] | [illegible] | - | - |
| 2pc '96 (67.9) | [illegible] | [illegible] | [illegible] | [illegible] | 1.37 | 2.23 |
| 4⅝pc '98‡‡ (135.6) | [illegible] | [illegible] | [illegible] | [illegible] | 1.69 | 2.20 |
| 2½pc '01 (78.3) | [illegible] | [illegible] | [illegible] | [illegible] | 2.53 | 2.88 |
| 2½pc '03 (78.8) | [illegible] | [illegible] | [illegible] | 155 | 2.70 | 2.99 |
| 4⅜pc '04‡‡ (135.6) | [illegible] | [illegible] | [illegible] | [illegible] | 2.74 | 3.02 |
| 2pc '06 (69.5) | [illegible] | [illegible] | [illegible] | [illegible] | 2.78 | 2.97 |
| 2½pc '09 (78.8) | [illegible] | [illegible] | [illegible] | 144 | 2.92 | 3.11 |
| 2½pc '11 (74.6) | [illegible] | [illegible] | [illegible] | [illegible] | 2.97 | 3.15 |
| 2½pc '13 (89.2) | 140 | [illegible] | [illegible] | [illegible] | 3.01 | 3.17 |
| 2½pc '16 (81.6) | [illegible] | [illegible] | [illegible] | [illegible] | 3.06 | 3.20 |
| 2½pc '20 (83.0) | [illegible] | [illegible] | [illegible] | [illegible] | 3.10 | 3.23 |
| 2½pc '24‡‡ (97.7) | 122 | [illegible] | [illegible] | [illegible] | 3.10 | 3.21 |
| 4⅛pc '30‡‡ (135.1) | [illegible] | [illegible] | [illegible] | [illegible] | 3.12 | 3.24 |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for February 1993: 138.8 and for September 1993: 141.9.

#### OTHER FIXED INTEREST

| Notes | Price £ | + or - | 1993 high | 1993 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| African Dev 11¼pc 2010 | [illegible] | [illegible] | 135 | [illegible] | 8.28 | 7.43 |
| Asian Dev 10¼pc 2009 | [illegible] | [illegible] | [illegible] | [illegible] | 8.14 | 7.39 |
| B'ham 11½pc 2012 | 130 | — | [illegible] | 114 | 8.85 | 8.33 |
| Ireland Cap 8½pc '10 | [illegible] | — | 120 | 95 | 7.78 | - |
| 9pc Cap 1996 | [illegible] | [illegible] | 118 | [illegible] | 8.83 | - |
| 13pc '97-2 | [illegible] | [illegible] | 130 | 110 | 11.38 | - |
| Hydro Quebec 15pc 2011 | [illegible] | [illegible] | [illegible] | [illegible] | 9.33 | 8.34 |
| Leeds 13½pc 2006 | [illegible] | — | [illegible] | 130 | 9.54 | 8.37 |
| Liverpool 3½pc Irred | [illegible] | — | 42 | 34 | [illegible] | - |
| LCC 3pc '20 Aft | [illegible] | — | 38 | [illegible] | 8.00 | - |
| Manchester 11½pc 2007 | [illegible] | — | [illegible] | 114 | 9.02 | 8.19 |
| Met. Wtr 3pc 'B' | [illegible] | — | 74 | [illegible] | 4.12 | 6.99 |
| Anglian Water 3⅜pc 2021 | 143 | — | [illegible] | [illegible] | - | 3.92 |
| 4¼pc IL 2024 | [illegible] | — | 138 | [illegible] | - | 3.92 |
| Utd Mex States 16½pc 2008 | [illegible] | — | [illegible] | [illegible] | 11.04 | - |

Continued on next page

## LONDON SHARE SERVICE

### AMERICANS

| | Notes | Price £ | + or − | 1993 high | 1993 low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| Abbott Labs | | 19¼ | +⅛ | 20¼ | 15⅝ | 16,372 | 2.3 |
| Allegheny & W | ♥ | 498p | −1 | 722p | 399p | 285.3 | 4.0 |
| Amdahl | | 321p | — | 691p | 294p | 360.5 | [illegible] |
| Amer Cyanamid | | 34⅞ | −¼ | 39 | 31¼ | 3,088 | 3.4 |
| Amer Express | | 20⅝ | [illegible] | 23¼ | 14⅞ | 10,045 | [illegible] |
| Amer T & T | | 38½xd | +1¼ | 43¼ | 33⅛ | 51,881 | [illegible] |
| Ameritech | | 55 | −1 | 58¼ | 46 | 24,081 | 4.5 |
| Anheuser-Busch | | 32⅞xd | [illegible] | 41¼ | 29⅞ | 9,028 | 2.9 |
| BankAmerica | | 27⅞ | [illegible] | 38½ | 27⅛ | 9,992 | 3.3 |
| Bankers NY | | 51⅞ | [illegible] | 54⅛ | 42⅝ | 4,240 | 4.0 |
| Bell Atlantic | | 42 | [illegible] | 44⅛ | 32¼ | 18,258 | [illegible] |
| BellSouth | | 38⅞ | [illegible] | 42⅝ | 32⅞ | 19,204 | 4.8 |
| [illegible] | ♥ | 11⅞ | [illegible] | 13⅛ | 9½ | 1,074 | − |
| Bowater | | 1317p | — | 1682p | 1189p | 477.2 | 3.0 |
| CPC | | 32⅛ | −¼ | 34⅝ | 26 | 4,903 | [illegible] |
| California Engy | | 1190p | [illegible] | 1479p | 1098p | 216.8 | − |
| Chase Manhattan | | 21¼ | [illegible] | 24⅞ | 17⅛ | 3,395 | [illegible] |
| Chrysler | | 38⅞ | [illegible] | 39 | 21¼ | 10,816 | 1.1 |
| Citicorp | | 24⅝ | [illegible] | 25 | 13⅛ | 9,007 | − |
| Colgate-Palm | | 37⅞ | [illegible] | 45⅝ | 32 | 6,057 | 2.5 |
| Cont'l Bank | | 1612p | −20 | 1877p | 1278p | 1,639 | 2.5 |
| Dana | | 38⅛ | +⅛ | 39⅞ | 29⅞ | 1,779 | 2.8 |
| Data General | | 639p | +8 | 951p | 527p | 174.7 | |
| Decora Inds | ♥ | 98p | — | 146p | 99p | − | − |
| Dun & Brad | | 44⅞ | [illegible] | 45⅞ | 37⅞ | 8,001 | [illegible] |
| Eaton | | 35⅝ | [illegible] | 37⅛ | 25⅞ | 2,489 | 2.3 |
| Echlin | | 22⅞ | [illegible] | 22⅞ | 15⅛ | 1,204 | [illegible] |
| FPL | | 25 | −¼ | 27⅝ | 23¼ | 4,541 | 6.6 |
| Ford Motor | | 41⅞ | [illegible] | 43⅛ | 28⅞ | 20,324 | [illegible] |
| Gen Elec | | 69⅞ | [illegible] | 67⅞ | 53⅞ | 54,294 | [illegible] |
| General Host | ♥ | 472p | +16 | 723p | 456p | − | 4.9 |
| Gillette | | 41¼xd | −¼ | 42⅝ | 31⅛ | 9,091 | 1.4 |
| Hasbro | | 20⅞ | — | 20⅞ | 20⅞ | 1,819 | 0.8 |
| Honeywell | | 21⅛ | [illegible] | 28⅛ | 20⅞ | 4,444 | 2.8 |
| Houston Inds | | 30⅞ | [illegible] | 33⅛ | 28⅛ | 3,998 | 6.5 |
| Ingersoll-Rand | | 25⅞ | [illegible] | 25⅞ | 19⅞ | 2,657 | 1.9 |
| Lockheed | | 47⅞ | — | 47⅞ | 35⅛ | 2,969 | 2.9 |
| Lowe's | | 3410p | +14 | 3410p | 1573p | 2,437 | 0.6 |
| Mahw Technology | | 376p | −30 | 408p | 127p | − | − |

### BUSINESS SERVICES

| | Notes | Price |
|---|---|---|
| ADT $ | [illegible] | 600 |
| Adam & Harvey | [illegible] | 247 |
| Air London | [illegible] | 61xd |
| African Lakes | | 47 |
| Assorted Sec | [illegible] | 137 |
| BET | [illegible] | 126xd |
| BSB Res | | 109xd |
| BPP | [illegible] | 310 |
| Barbour Index | | 235 |
| Black & Edg | [illegible] | 1¼ |
| Boustead | [illegible] | 27 |
| Bridgend | [illegible] | 21xd |
| Brit Data Mangt | [illegible] | 264 |
| Brit Fittings | [illegible] | 81 |
| Brooke Service | [illegible] | 62xd |
| Business Post | [illegible] | 112 |
| CRT | [illegible] | 96 |
| Capita | [illegible] | 190 |
| Caspell | [illegible] | 40½ |
| Chiltern Capital AS | | 22 |
| Christie Group | N | 48 |
| Chubb Security | [illegible] | 355 |
| For Comcare see ELECTRONICS | | |
| Corp Servs | [illegible] | 37 |
| Coutts Consulting | | 81 |
| Daft | [illegible] | 137 |
| Davis Service | [illegible] | 213 |
| EW Fact | [illegible] | 1049 |
| Gardiner | [illegible] | 25 |
| Hays | [illegible] | 247 |
| Hogg Robinson | N | 235 |
| Holmes Protect S | | 34 |
| Hutch Whamp HKS | ♥ | 262 |
| ISS B Dkr | | £20½ |
| Inchcape | [illegible] | 582 |
| Int Food Machinery | [illegible] | 31 |
| Johnson Cleaners | | 868 |
| LCO | | 84½ |
| MITIE | | 275 |

### CANADIANS

### BANKS

### BREWERS & DISTILLERS

### BUILDING MATERIALS

### CHEMICALS

### CONGLOMERATES

### CONTRACTING & CONSTRUCTION

### ELECTRICALS

### ELECTRICALS - Cont.

### ELECTRICITY

### ELECTRONICS

### ENGINEERING-AEROSPACE

### ENGINEERING-GENERAL

### ENGINEERING-GENERAL - Cont.

### FOOD MANUFACTURING

### FOOD RETAILING

### HEALTH & HOUSEHOLD

### HOTELS & LEISURE

### HOTELS & LEISURE - Cont.

### INSURANCE BROKERS

### INSURANCE COMPOSITE

### INSURANCE LIFE

### INVESTMENT TRUSTS

### INVESTMENT TRUSTS - Cont.

# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

| | Notes | Price | + or - | 1993 high | low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| Scot Asian Fig | ♣ | 281 | +1 | 284 | 136 | – | 310.8 | 9.9 |
| Warrants | | 778 | — | 785 | 225 | | | |
| Scot East | ♣†□ | 78½ | — | 83 | 63½ | | | |
| Scottish Inv | ♣†□ | 222 | -1½ | 231 | 183 | 2.5 | 92.8 | 15.4 |
| Warrants | □ | 74¾ | -½ | 80 | 38 | 2.5 | 280.3 | 14.8 |
| Scot Mortgage | ♣□ | 221½xd | -1½ | 230½ | 178 | – | – | – |
| Scot National Inc | ♣□ | 95½ | +1 | 105 | 83 | 2.3 | 252.3 | 12.2 |
| Cap | □ | 30 | -1 | 38 | 16 | 9.6 | | |
| Stepped Pf | | 167¾ | -½ | 168½ | 150¾ | – | 100.5 | 69.2 |
| Zero Div Pf | | 228 | — | 231½ | 207 | 4.6 | | |
| Warrants | | 4½ | — | 5 | 2½ | – | – | – |
| Scot Value | †□ | 99½ | +½ | 102 | 71 | – | – | – |
| Sec Alliance | ♣M | 1580 | -8 | 1648 | 1390 | 2.3 | 100.1 | 0.9 |
| Second Consld | □ | 165 | — | 168 | 88 | 3.1 | 1748.1 | 8.7 |
| Second HGSC | □ | 105½ | — | 108 | 101 | – | 193.6 | 14.3 |
| Second Market | ♣u | 404 | -1 | 407 | 258 | – | – | – |
| Sec Tst Scot | ♣□ | 88xd | +½ | 93½ | 74½ | 0.6 | 431.5 | 6.4 |
| Select Assets | □ | 158 | — | 163 | 109½ | 4.6 | 91.8 | 3.6 |
| Eq Ind Serl | | 152 | — | 163 | 128 | 8.9 | 195.3 | 19.1 |
| Eq Ind Ser8 | | 152 | — | 153 | 128 | 3.5 | – | – |
| SHIRESCOT | ♣u | 141 | — | 145 | 104 | 3.5 | – | – |
| Shires | ♣M | 289 | — | 298 | 231 | 4.7 | 139.5 | -1.1 |
| Siam Select | ♣ | 205 | +2 | 205 | 97 | 7.3 | 279.1 | -3.4 |
| Smaller Cos | □ | 132 | — | 135 | 78 | 0.6 | 204.6 | 23.1 |
| Warrants | | 58 | — | 58 | 14 | 2.6 | 131.0 | 0.9 |
| Sphere Inc | □ | 33½xd | — | 38 | 14 | – | – | – |
| Zero Div Pf | | 92 | +½ | 92¼ | 80¾ | 11.6 | 46.0 | 30.2 |
| Units | | 905xd | — | 905 | 785 | – | – | – |
| Sumit | | 107 | +1 | 107 | 38 | – | – | – |
| TR City of Lon | M□ | 150¾ | -½ | 154 | 126 | 1.6 | 101.4 | -5.1 |
| TR Euro Growth | ♣M□ | 127 | -1 | 133 | 78 | 4.6 | 144.9 | -3.4 |
| Pig Sub | | 78 | — | 78 | 27 | 1.7 | 132.2 | 3.9 |
| TR Far East Inc | ♣M□ | 109 | +2 | 109 | 112 | 2.2 | – | – |
| Warrants | | 64 | +3½ | 68 | 22 | 3.7 | 179.7 | 3.3 |

## MERCHANT BANKS

| | Notes | Price | + or - | 1993 high | low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| Barings 8pc Cm 2nd Pf | | 100 | -½ | 122½ | 93 | 13.8 | 9.2 |
| 9¼pc Non-Cum Pf | | 130¾ | -½ | 136 | 119 | 52.1 | 8.4 |
| Close Bros | ♣M | 458 | — | 465 | 250 | 286.5 | 3.0 |
| Hambros | ♣†□ | 398 | +3 | 403 | 243 | 628.3 | 5.1 |
| 7½pc Cv Pf | | 147 | — | 164 | 111½ | 228.5 | 6.4 |
| Joseph (L) | ♣ | 418 | — | 428 | 313 | 21.9 | 5.0 |
| Kleinwort Benson | ♣†□ | 607 | -1 | 630 | 312 | 678.3 | 4.1 |
| Rea Bros | ♣†□ | 52 | — | 54 | 38 | 20.4 | 1.3 |
| Schroders | ♣†□ | 1230 | -13 | 1335 | 467½ | 1,242 | 1.2 |
| NV | † | 1100 | -15 | 1315 | 387½ | 310.2 | 1.4 |
| Singer & Fried | ♣†M□ | 80 | — | 83 | 48 | 133.9 | 4.7 |
| Warburg (SG) | ♣†M□ | 883 | -16 | 940 | 529 | 1,807 | 3.0 |
| Wintrust | ♣ | 320 | — | 325 | 185 | 27.1 | 3.6 |

## METALS & METAL FORMING

| | Notes | Price | + or - | 1993 high | low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| ASW | M□ | 144 | — | 228 | 81 | 98.5 | 3.2 |
| Apollo Metals | † | 98 | — | 120 | 84 | 15.3 | 4.9 |
| Ash & Lacy | ♣ | 160 | — | 170 | 143 | 38.2 | 5.3 |
| Billiam (J) | † | 283 | -2 | 312 | 128 | 4.26 | 2.5 |
| Brit Steel | M□ | 124½ | +1½ | 131½ | 54 | 2,480 | 1.0 |
| CI | †□ | 21 | — | 28 | 17 | 18.2 | 3.5 |
| Castings | | 203 | — | 213 | 158 | 42.8 | 2.7 |
| Chamber & Hill | † | 185 | +5 | 195 | 113 | 14.3 | 4.2 |
| Cohen (A) | | 403 | — | 405 | 285 | 7.48 | 1.1 |
| Cook (Wm) | †□ | 256 | -6 | 288 | 130 | 88.8 | 3.0 |
| Cooper (F) | □ | 79xd | — | 84 | 43 | 28.1 | 3.6 |
| Ferraris | † | 60 | — | 100 | 32 | 6.74 | 3.2 |
| Firth (GM) | □ | 14 | -1 | 17 | 8 | 4.72 | – |

## MISCELLANEOUS

## INVESTMENT COMPANIES

## MEDIA

## MOTORS

## OIL & GAS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIALS

## PACKAGING, PAPER & PRINTING

## PACKAGING, PAPER & PRINTING - Cont.

## PROPERTY

## STORES

## STORES - Cont.

## TELEPHONE NETWORKS

## TEXTILES

## TRANSPORT

## WATER

## SOUTH AFRICANS

## PLANTATIONS

## MINES

## MINES - Cont.

| | Notes | Price | + or - | 1993 high | low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| Bessor Ind | ♣□ | 6½ | +¼ | 7¼ | 3¾ | 6.49 | – |
| Europa Mins | M□ | 34 | — | 42 | 16 | 19.4 | – |
| Glencar Expl | ♣† | 11 | — | 12 | 6 | 2.00 | – |
| Greenwich Res | ♣□ | 16¼ | — | 22¼ | 5 | 12.8 | – |
| Hamlin Gold C$ | | 27¼ | +⅛ | 28⅜ | 23½ | 701.6 | 1.4 |
| Ivernia West | ♣†□ | 34 | -6 | 87 | 31 | 17.1 | – |
| Kalia Mines | †† | 12 | — | 14 | 6 | 0.38 | – |
| Kenmare | ♣□ | 8¼ | — | 13½ | 6 | 0.78 | – |
| Malinga Res | | 7 | -½ | 28½ | 7 | 0.77 | – |
| Nevan Res | ♣ | 108 | — | 104 | 26 | 17.8 | – |
| 8pc Ln Notes | | 88½ | — | 88½ | 25 | 17.7 | – |
| Oryx Gold | | 46 | — | 76½ | 27 | – | – |
| ††Ovoca Res | | 10 | — | 10 | 3½ | 0.70 | – |
| RTZ | ♣†M□ | 844½ | +2½ | 749 | 607 | 8,867 | 5.3 |

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ)
● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
Φ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially UK listed; dealings permitted under Rule 535(2)
¶ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress.
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
z Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on BMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

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FINANCIAL TIMES
Weekend November 13/November 14 1993



Arrest warrants issued as corruption scandal spreads

# Italian police seek top drug company chiefs

By Haig Simonian in Milan and Paul Abrahams in London

ITALIAN police have stepped up their search for a number of top pharmaceuticals executives who have been implicated in the country's spiralling political corruption scandal.

The list of those being sought includes Mr Flavio Maffeis, the suspended chairman and managing director of Glaxo Holdings' Italian subsidiary. Some have already been held, such as the chairman of SmithKline Beecham's operations in Italy, Mr Ambrogio Secondi, who is under house arrest.

The new warrants, issued by Naples magistrates investigating alleged kickbacks paid by top pharmaceuticals groups to health ministry officials, follows renewed questioning of Mr Duilio Poggiolini, an eminent academic and a civil servant in the ministry, who was arrested in September.

Subsequent inquiries revealed a trove of hidden bank accounts in Italy and Switzerland held by Mr Poggiolini and his wife. A police search of the family's property uncovered a cornucopia of gold coins, jewels and gold bars in a hidden safe. Investigators this week confiscated modern art worth billions of lire.

Leading businessmen in the subsidiaries of a number of German groups are also implicated in the scandal. Arrest warrants have been issued for Mr Bernardino Sala, managing director of Farmadis, Schering's fully-owned subsidiary; Mr Massimiliano Pancera of Boehringer Mannheim; and Mr Enrico De Angelis of Errekappa Euroterapeutici, a subsidiary of BASF. Mr Livio Cesare Camozzi of Bioresearch, another BASF subsidiary, has been arrested.

The latest wave of arrest warrants also takes in some of Italy's best known domestic pharmaceuticals entrepreneurs. They include Mr Arrigo Recordati and Mr Giovanni Recordati, the father and son team heading the stock market-listed Recordati group, Italy's eighth largest pharmaceuticals company.

Pharmaceutical Business News, the industry newsletter, reported that Mr Marino Golinelli of the Italian concern Alfa Wassermann was in Germany but would be returning to Italy to meet magistrates.

Glaxo, the UK's largest drugs group, said Mr Maffeis had temporarily been released from his duties at Glaxo Italia, the company's third most important subsidiary with sales last year of £331m. He was made chairman of the business this year.

Mr Franz Humer, a main board director and group chief operating officer, has been appointed Glaxo Italia's chairman. Mr Pietro Leone, finance director of the Italian business, has been made acting managing director.

Italy is the world's fifth largest medicines market, worth $11bn (£7.2bn) last year, but sales have collapsed following healthcare reforms introduced in April.

# UK probes failure of companies to win EU contracts

By David Dodwell, World Trade Editor

THE UK government has launched an investigation into problems UK companies face in winning a bigger share of the £500bn-worth of public procurement contracts awarded every year across the European single market.

It fears the failure of British companies to increase their share of contracts in the European Union may be due to legal loopholes blocking free trade or to unfair practices.

There is concern that complaints about discrimination are dealt with too slowly by both the European Commission and member states, and that procedures fail to prevent abuse.

The first stage of the investigation, which is expected to take four months, will focus on collecting evidence, mainly through a joint survey by the Department of Trade and Industry and the Confederation of British Industry of 5,000 UK suppliers to EU procurement agencies.

Stage two will involve detailed examination of the problems identified. The DTI will recruit on secondment a private sector expert in EU contracting to provide the lead, and prepare a report for ministers. The resulting action plan could call for changes both in Whitehall and in Brussels.

Since January 1 1993, all public works contracts worth more than Ecu5m (£3.8m), and all supplies contracts worth Ecu750,000 or more, must be open to competition, and must be notified in the Official Journal, a comprehensive daily list of invitations to tender for EU procurement contracts and of successful bidders.

In practice, the number of contracts awarded across borders has stuck at less than 4 per cent of all contracts. Exporters complain that contracts are not being properly advertised; that late arrival of tender forms makes it difficult to get on bidding lists; and that after failing to win a contract they are unable to discover the terms on which a contract has been awarded.

"There is a strong suspicion that contracts are being split up to fall beneath the reporting threshold," an official said.

"If advertised contracts are to be believed, no public authority on the continent has bought furniture, bought carpets, or done any substantial printing," another official commented following a study of contracts notified this year.

Mr John Chudleigh, head of Euro-bid Watch, a private consultancy, noted that Spain had reported the outcome of just 16 of the 1,300 tenders invited so far this year – compared with the UK, France and Germany which listed more than 3,000 contract awards apiece.

## THE LEX COLUMN

# Firm base for rates

Before yesterday afternoon's better economic news from the US, London was whipping itself up into a lather about the latest UK trade and manufacturing output data. Third quarter output fell somewhat less than expected, thanks partly to a revival of motor vehicle production. The trade figures must still be unreliable. Yet since they are all the government has to go on, it is perhaps worth noting that they show exports to the European Union rising despite the recession in continental Europe and some evidence of import substitution at home. That does not support the case for lower base rates in the Budget.

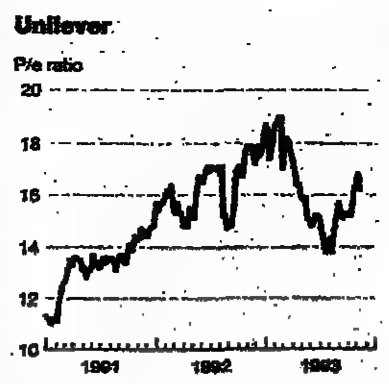
Of course, economic indicators are never going to lead the chancellor both to cut interest rates and to raise taxes. To a large extent Budget decisions on interest rates must be about the appropriate mix of policy rather than a knee-jerk reaction to the latest indicators. There is certainly an argument for tax rises to curb public borrowing, offset by looser monetary policy. It is by no means certain that the chancellor will agree. The easiest political choice may be to do nothing much on tax or on monetary policy.

After all, there is not much clamour from around the constituencies for lower interest rates. Nor are corporate balance sheets under that much strain. The stock market, which has been promising itself a cut, would be disappointed if none emerged. Perversely, though, a steady monetary course might actually be better for economic confidence. Precipitate rate cuts at this stage in the cycle would do little to stimulate investment, if they set business worrying about painful rises later.

### Unilever

Unilever's shares have gyrated wildly this year and both the bears and the bulls found plenty of fresh ammunition in the company's third quarter results. European operating profits slid 2 per cent. But that represented a resilient outcome in the face of recession, especially considering that the poor summer, which led to Europeans licking fewer lollies, may have cost Unilever some £20m. In the US it was a mixed bag too. Procter & Gamble's determined price offensive hit the detergent market but Unilever made progress selling cosmetics and perfumes, which bodes well for the critical Christmas period.

Unilever will still do well to remain as robust in the developed world, with



Source: FT Graphite

retailers on the rampage and recession plaguing mainland Europe. The real investment interest concerns Unilever's progress in the rest of the world. Its results may have been flattered by acquisitions, but double-digit growth in underlying sales and profits highlighted Unilever's momentum in these markets. This year, profits from the world outside Europe and North America may represent more than 20 per cent of the total. With US investors, in particular, paying hefty premiums for exposure to emerging markets, that makes it all the more puzzling that Unilever remains on such a sizeable rating discount to the London and Amsterdam markets.

### Infrastructure projects

Consider this dilemma. Investment funds are currently stuffed with cash seeking out attractive investment opportunities. The UK government, meanwhile, is borrowing too much but is eager to initiate infrastructure projects. You might think it would be possible to satisfy both desires by encouraging private sector investment in public sector projects. Yet further delays in building the £2.6bn Channel tunnel rail link emphasise how difficult it is to translate this idea into practice.

The stumbling block is over the transfer of risk. Although the government has spent more than £300m on the rail project, it still has to agree on a definite route and pass the necessary legislation. Yet at this early stage in the exercise, private sector involvement is already being sought. That may make sense from a design point of view. But it complicates the financial equations. If the private sector is expected to carry substantial risk, it will expect venture capital rewards at which the Treasury will doubtless baulk. So the rail link can probably only make progress if the government indemnifies the private sector against a large measure of future risk. That, though, would result in private control with public risk – the worst of all possible worlds.

One solution would be for the government to pump prime the project and then solicit private sector bids to complete the link. The Royal Bank of Scotland's economists have suggested an ingenious way of adapting the Business Expansion Scheme to allow the government to raise such funds without much drain on the public purse. With minimal risk, private investors could then anticipate acceptable utility-type returns.

### Emerging markets

The emerging markets bandwagon continues to roll. Around £350m has been raised by investment trusts this year, while £250m has flowed into unit trusts. Govett Emerging Markets, an investment trust launched in July, is already back for more. Institutional investors have usually been first in the queue for closed-end funds. So far their faith has been rewarded. Emerging markets investment trusts have seen net assets rise by 50 per cent on average during the last year. Share prices have risen by over 70 per cent as discounts to net assets have changed into premiums.

Yet some of the premiums are difficult to understand. Kleinwort Benson's Emerging Markets trust has traded at a 10 per cent premium to net assets even though the firm's unit trust – invested by the same team on the same basis – is available at par. Templeton Emerging Markets trades at a 12 per cent premium while the firm's Luxembourg-based SICAV can be bought at net asset value.

The charges levied by the different funds might account for part of that differential. The closed-end nature of an investment trust should also give it the edge in illiquid markets: a unit trust or SICAV might expect investors to leave when times are bad, forcing the fund manager to sell stock into falling markets. But while equity markets are rising, this benefit counts for little. The most compelling explanation for the anomaly is that the market for emerging markets funds is itself an imperfect, emerging market.

# Japanese must build up a life outside work, says agency

By Michiyo Nakamoto in Tokyo

JAPANESE people need to develop personal relationships and seek a purpose in life outside work to avoid misery in old age, according to the Economic Planning Agency.

In its annual white paper on the quality of life, the agency says the Japanese face a need to turn away from a company-centred lifestyle to one that seeks meaning in personal relationships and private social activities.

With the increase in free time, as working hours are shortened and more people expect a longer life after retirement, the report says "the lack of personal relationships at home or in the community, particularly among grown men who have left their jobs", has become a social issue.

The end of the so-called economic bubble of the 1980s has also reawakened an awareness that material comforts alone cannot provide satisfaction in life.

"In order to attain spiritual fulfilment, it is important to have a variety of options in life and be able to experience satisfaction through personal realisation", the white paper says.

One way to do so, the agency suggests, is to create a private world through reading and hobbies and by improving family ties. The agency also counsels volunteer work, thinking about nature, spending time in the countryside, and more communication with people of other nations.

The EPA's report reflects growing concern that a lifetime spent in dedication to a company is leaving a growing number of Japanese men spiritually and emotionally lost once they retire.

According to an agency survey, more than 67 per cent of those questioned aged 65 and over, and 64 per cent of those in their early 60s, saw the meaning of life in their work. Only 25 per cent of Japanese in their 20s felt that way.

# Ruhr divers

Continued from Page 1

settlements of the Ruhr. The route, taking in such unlikely tourist destinations as Kamen to the north-east of Dortmund and Castrop-Rauxel to the north-west, was mapped out by the Sauerland mountain club and is also now under the IBA's custodianship.

According to the IBA, the route offers walkers a broad insight into an industrial region in the process of structural change.

As if to quell any doubts about the scenic attractions of the Ruhr, last's summer's opening to the public by the energy group Ruhrkohle of its private industrial railway is said to have attracted 8,000 visitors, who were able to travel on the 1928-vintage Rheingold train.

# Nissan to cut UK output

Continued from Page 1

at least four months to the end of February.

They will remain on full basic pay, which averages £13,164 a year for an assembly line worker, but will lose night shift bonuses which average £183 a month. A 3.5 per cent pay increase due in January as part of a two-year deal will be honoured.

Nissan said it expected its UK car output to fall next year to 200,000-240,000. It has already cut production this year to 246,000 from the 270,000 previously forecast.

The proposals for the severance package, which could involve payments of £7,000-£7,500 on average for assembly line workers, together with the commitment to job security and the guarantee of no compulsory redundancies, had come from the workforce, claimed the company.

The Nissan workforce has fallen from a peak of around 4,800 earlier this year through natural wastage. Nissan is suffering losses on its worldwide operations and the impact of recession in Europe is expected to push the Sunderland production plant into loss for 1993.

Chris Tighe writes: Mr Harry Morgan, north-east regional organiser for the AEEU engineering workers union, said the "agreed separation programme" was a play on words. "Traditionally we would say they're asking for volunteers for redundancy except they haven't put a number on it and they've said that if there are not volunteers nobody will be paid off."

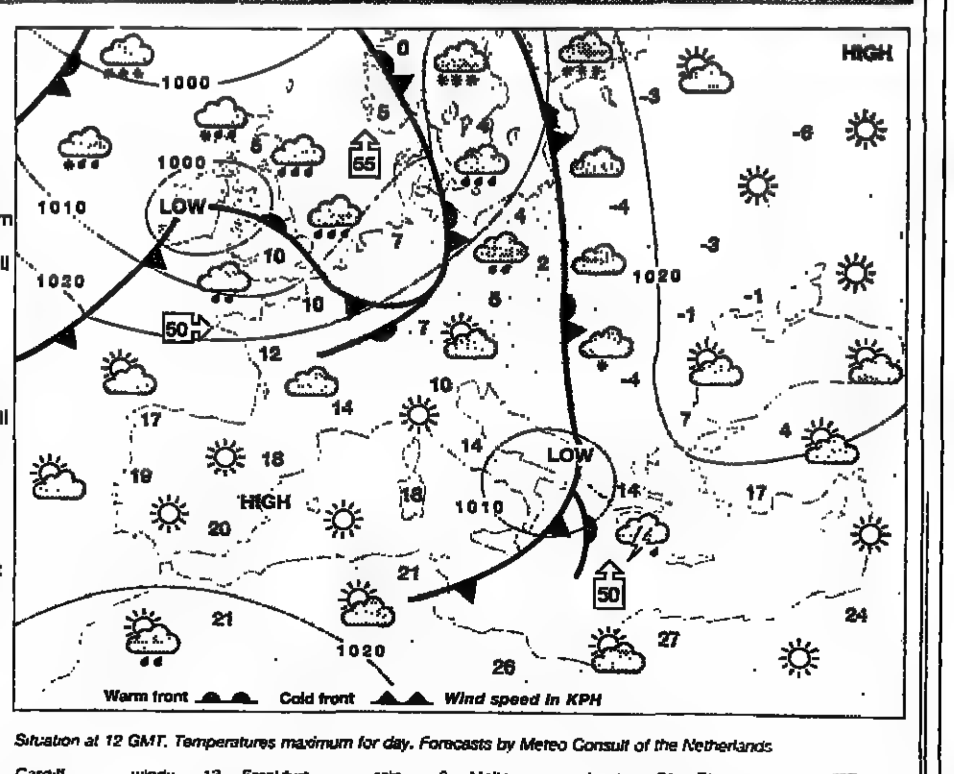
## FT WORLD WEATHER

### Europe today

Unsettled conditions will be general over north-west Europe this weekend. An active low positioned over Ireland at midday will move towards Denmark causing widespread rain and stormy conditions in coastal areas. Southerly winds may reach strong gale force this morning near the English Channel. Storm force winds from the north-west will reach the North Sea and Channel area by tomorrow night. Scandinavia will remain mainly cloudy with widespread snow in Norway and Finland. Denmark and southern Sweden will see afternoon rain. The Alpine countries and Spain will remain dry with some sunshine. Wet and windy conditions will affect southern Italy and the Balkans. Cold air remains trapped over north-east Europe, but sunshine will be prolonged. A snow shower remains possible over Romania while elsewhere in the central regions of eastern Europe it will remain cloudy but dry.

### Five-day forecast

A storm centre will move to the Baltic states, but although weakening, rain will occur in the area. Another disturbance will bring rain to the Alps and the northern Balkan states tomorrow and Monday. Beginning next week, high pressure building from Spain to the central CIS will produce dry but cool conditions.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | sun | 31 |
| Accra | fair | 30 |
| Algiers | fair | 23 |
| Amsterdam | rain | 8 |
| Athens | shower | 15 |
| B. Aires | shower | 28 |
| B.ham | rain | 10 |
| Bangkok | shower | 35 |
| Barcelona | sun | 18 |
| Beijing | fair | 13 |
| Belfast | rain | 6 |
| Belgrade | shower | 0 |
| Berlin | cloudy | 6 |
| Bermuda | fair | 24 |
| Bogota | cloudy | 20 |
| Bombay | shower | 33 |
| Brussels | rain | 9 |
| Budapest | cloudy | 2 |
| C.hagen | rain | 6 |
| Cairo | fair | 23 |
| Cape Town | fair | 26 |
| Caracas | fair | 27 |
| Cardiff | windy | 13 |
| Chicago | rain | 17 |
| Cologne | rain | 9 |
| D' Salaam | fair | 28 |
| Dakar | sun | 26 |
| Dallas | rain | 24 |
| Delhi | sun | 29 |
| Dubai | sun | 32 |
| Dublin | rain | 8 |
| Dubrovnik | rain | 13 |
| Edinburgh | rain | 5 |
| Faro | fair | 22 |
| Frankfurt | rain | 8 |
| Geneva | fair | 7 |
| Gibraltar | fair | 19 |
| Glasgow | rain | 4 |
| Hamburg | rain | 7 |
| Helsinki | snow | -2 |
| Hong Kong | cloudy | 27 |
| Honolulu | fair | 28 |
| Istanbul | fair | 9 |
| Jersey | rain | 10 |
| Karachi | sun | 35 |
| Kuwait | sun | 27 |
| L. Angeles | sun | 17 |
| Las Palmas | sun | 23 |
| Lima | cloudy | 22 |
| Lisbon | sun | 19 |
| London | rain | 13 |
| Lux.bourg | rain | 7 |
| Lyon | sun | 8 |
| Madeira | sun | 20 |
| Madrid | sun | 18 |
| Majorca | sun | 20 |
| Malta | cloudy | 21 |
| Manchester | rain | 8 |
| Manila | cloudy | 31 |
| Melbourne | fair | 20 |
| Mexico City | fair | 21 |
| Miami | fair | 29 |
| Milan | sun | 10 |
| Montreal | cloudy | 4 |
| Moscow | sun | -5 |
| Munich | fair | 5 |
| Nairobi | fair | 23 |
| Naples | fair | 15 |
| Nassau | fair | 29 |
| New York | cloudy | 14 |
| Nice | sun | 18 |
| Nicosia | sun | 16 |
| Oslo | rain | 5 |
| Paris | rain | 10 |
| Perth | shower | 26 |
| Prague | cloudy | 5 |
| Rangoon | sun | 34 |
| Reykjavik | snow | 0 |
| Rio | fair | 23 |
| Riyadh | sun | 30 |
| Rome | fair | 17 |
| S. Frsco | sun | 19 |
| Seoul | shower | 18 |
| Singapore | cloudy | 31 |
| Stockholm | shower | 5 |
| Strasbourg | fair | 9 |
| Sydney | fair | 22 |
| Tangier | fair | 21 |
| Tel Aviv | sun | 20 |
| Tokyo | rain | 18 |
| Toronto | rain | 15 |
| Tunis | shower | 20 |
| Vancouver | sun | 8 |
| Venice | sun | 11 |
| Vienna | cloudy | 7 |
| Warsaw | cloudy | -1 |
| Washington | fair | 17 |
| Wellington | fair | 15 |
| Winnipeg | cloudy | -1 |
| Zurich | sun | 7 |

Weekend FT

SECTION II

Weekend November 13/November 14 1993

# Why the BBC should be privatised


*"Broadcasting was one of a number of areas in which special pleading by powerful interest groups was disguised as high-minded commitment to some greater good. So, anyone who queried, as I did, whether a licence fee was the best way to pay for the BBC was likely to be pilloried as at best philistine and at worse undermining its 'constitutional independence'."*

**– Former prime minister Margaret Thatcher in her recently published memoirs, explaining how she failed to persuade Whitehall and fellow ministers of the case for radical change at the BBC.**

*"Much of what passes for quality on British television really is no more than a reflection of the values of the narrow elite which controls it and which has always thought that its tastes are synonymous with quality... My own view is that anybody who, within the law of the land, provides a service which the public wants at a price it can afford is providing a public service."*

**– Media tycoon Rupert Murdoch at the Edinburgh television festival in 1989.**

***Ian Hargreaves** argues that the corporation needs radical change to prepare for the harsher environment it will face in the next millennium*

AS THE government puts the finishing touches to a white paper on the BBC, as good as certain to propose an unchanged funding regime for the corporation, it is striking to recall the ferocity of the attack on public service broadcasting which was sustained throughout the 1980s by the combined engines of Thatcherism and Murdoch.

Two questions are prompted: just why has controversy given way to consensus? And, is it a good thing that it has? Is it possible that Thatcher, in her instinctive, unstrategic way, perceived a truth about British broadcasting that her opponents are foolish to ignore?

The re-making of consensus about the BBC plainly has its roots in the replacement of Thatcher by a more conservative successor and in the fact that the BBC has, in response to the pressures of the Thatcher years, made sweeping changes, designed to make itself both more efficient and more acceptable to a Conservative government.

There is, however, a third, less obvious cause of the new consensus, namely a shift in the politics of the broadcasting industry itself. This has had the effect of uniting the satellite broadcasters and their terrestrial brethren in ITV behind the BBC status quo. It is the most interesting aspect of the consensus, because it points to the flaw which runs through the heart of UK broadcasting policy.

With hindsight, it can be seen that Murdoch's Edinburgh lecture was the high-water mark of the new broadcasters' attacks on the BBC. A year later, financial pressures forced Murdoch's Sky to merge with British Satellite Broadcasting to form BSkyB, and led him into a search for the sort of business alliances which would help him sell satellite dishes and subscriptions for the re-launched Sky TV.

Prime among these was a joint deal between Sky and the BBC to televise league soccer, something which would, at that stage, have been impossible for Sky to achieve unaided. In other words, as Murdoch became a broadcasting industry insider, he stopped rocking the BBC's boat. No wonder the Murdoch press duly turned friendly. Last November's green paper would, said *The Times*, secure the future of "the best all-round broadcasting organisation in the world."

It is less surprising that the terrestrial broadcasters should have also swung behind the BBC – after all, the traditional ITV position is that its own advertising monopoly is a *quid pro quo* for the BBC's monopoly on public funding. But ITV is also painfully aware that the BBC is making common cause with commercial rivals outside the ITV system, including not only BSkyB, but also the disenfranchised Thames Television (in UK Gold, a repeats channel broadcast on Sky); and, through BBC World Service Television, with Reuters and Star Television of Hong Kong, which since July has also been controlled by Murdoch.

As part of its own response to the BBC green paper, ITV commissioned a report from consultant Booz Allen & Hamilton: this set out for its client a blood-chilling – and by no means implausible – scenario for the 1990s in which BSkyB's revenues surpass those of the 14 ITV companies combined. If this were to happen, by the year 2000 Britain would have three broadcasting segments of roughly equal size: the BBC, BSkyB and ITV.

The larger, more ambitious ITV companies are thus starting to see themselves as minnows in an ocean of killer sharks, confined by the comforts of their regional advertising monopolies. This explains the urgency of their pleas to government to be allowed to merge with each other.

The ITV companies, however, also believe that their own prosperity requires a quiescent BBC, one confined safely to making high quality domestic programmes; competing as little as possible for bought-in American material; restricted from forming new commercial alliances; and, above all, excluded from the market for sponsorship, advertising or pay-television. Viewed from this angle, the new consensus on the BBC rests not upon high principle, but on the short-term commercial convenience of rival broadcasters, buttressed by the inability of a weak government to take a longer view.

All this is happening at a time when technology is turning the international broadcasting industry inside out. Digital broadcast signals, along with the spread of both satellite and cable, is dissolving technological entry barriers to broadcasting and powering a fusion of the broadcasting, telecommunications, entertainment and information industries. This multi-media revolution lies behind the remarkable wave of takeover struggles on Wall Street in recent weeks involving companies like Bell Atlantic (telecommunications), TCI (cable), QVC (television shopping), Viacom (its interests include the MTV global rock music channel) and Paramount, the Hollywood studio. It also explains Murdoch's strategy to establish global satellite distribution for his own and other companies' news and entertainment services.

It is, perhaps, not surprising that UK broadcasting policy has simply failed to keep up, marked as it was with the self-contradictions of the Thatcher era: her desire to de-regulate on the one hand, but her taste for an ever sterner moral and political oversight on the other. The result was muddle and U-turn.

■ In satellite television, the government at first favoured a BBC role, then a private sector monopoly, then did not resist Sky's entry, then sanctioned the BSB-Sky merger without so much as a reference to the broadcasting regulator.

■ In terrestrial television, policy in practice was directed mainly at squeezing more Treasury revenue out of the ITV monopolies while requiring the duopolists of BBC and ITV to take a quota of programmes from a highly fragmented independent production sector.

■ In cable, there was a fitful policy of encouraging capital to enter the sector while excluding British Telecom from transmitting entertainment services on the grounds that it would be able to squash new competitors in cable telephony.

The regulatory regime which sits atop this dizzying structure has only added to the confusion. In essence, the BBC is regulated heavily, the ITV companies moderately and the satellite broadcasters not at all. Ownership rules are even more bizarre. It is possible for Murdoch to own half of BSkyB, along with 35 per cent of Britain's national press, but impossible for any national newspaper owner to possess more than a 30 per cent stake in an ITV company.

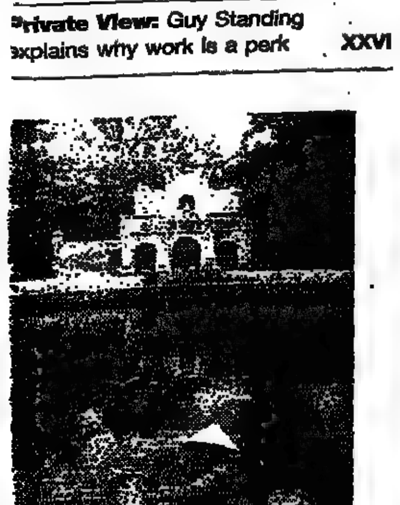
The result is that, in terms of its international competiveness, the UK faces the multi-media revolution in a parlous state. It has an inefficient, monopolistic but fragmented terrestrial broadcasting system, and a satellite and cable sector dominated by non-UK interests. Of only two potential world class UK organisations on the scene, one, British Telecom, is excluded for regulatory reasons and the other, the BBC, is stuck in the public sector where it is condemned to behave like a public sector utility.

Does a Conservative government really think that Britain's charge in the global electronic media battle can be led by a

■ Continued on page X

CONTENTS





*glimpse of the old Asia. Nicholas Voodsworth visits Hué* _______Page XIII



The Long View / **Barry Riley**

## Juggling the books

WOULD you buy Colombian 6 per cent loan certificates at £84? How about Chilean 6 per cent stock at £89, to yield an attractive 7 per cent or so? Alternatively, what about Mexico 7¼ per cent?

You have to be an incorrigible optimist to think so, but perhaps this is Latin America's moment of financial maturity at last. Next Wednesday, the US House of Representatives is due to approve the North American Free Trade Agreement, after which Mexico at least will attain a new credit status. Its paper could reach true investment grade. Many other Latin American countries are also now enjoying a degree of financial standing which, historically, is unusually respectable.

I should explain that the three bonds mentioned date from very different periods. The Colombian loan was issued in 1822 to British investors, and it marked the start of an amazing wave of speculation in Latin American investments. London investors gambled more than £20m on the shaky credit-worthiness of newly-independent nations emerging from the domination of the Spanish and Portuguese monarchies. Within a few years the Colombian loan, along with all the others, was more or less worthless as Colombia itself splintered into three parts.

Chilean 6 per cents were part of the initial portfolio of the Foreign & Colonial Government Trust, which was launched in 1868 with a £1m portfolio of what was basically sovereign junk debt. By this time, a more sophisticated theory of geographical diversification had been developed. The investments ranged across five continents. The yield on the portfolio was 8 per cent, beating Consols out of sight.

Although F&C suffered its setbacks – as when the Spanish 3 per cent government stock defaulted in 1875 – the trust survived and prospered for 125 years to the present day to become the UK's biggest investment trust, with assets of more than £1.5bn.

As the fashion for so-called emerging market funds grows today, however, it is important to look back at the portfolios of the 19th century investment trusts. F&C's investments included Brazil, Egypt, Peru, Turkey and the United States. All of these, bar one, would today be described trendily as emerging markets, a term apparently intended to impart an image of progress and development in order to attract investors.

In fact, a better distinction would be between high grade and low grade markets. Movement from second category to the first is, in fact, comparatively rare. Many countries never emerge from the poor quality, high risk category and this has certainly applied to Latin America.

The Mexican bond, incidentally, brings us right up to date, being an issue originated earlier this year. So far in 1993, Mexican borrowers have raised some $6bn in the Eurobond market, and Mexican international equity issues in 1992 totalled more than $3bn (although the pace has slowed this year). American investment institutions, in particular, have become more ready to seek high returns on exotic bonds, largely because of the sharp drop in yields on domestic investments.

The 1822-25 bubble was generated by rather less sophisticated private investors. The first Latin American debt crisis was well chronicled in a 1990 book of that title by Frank Griffith Dawson (Yale University Press). There were, for instance, angry scenes in 1824 when it was discovered that Colombia was proposing to pay dividends with money owed to it by Peru, which in turn was planning to raise the cash by floating another loan in London. Not much has really changed: there is now a long tradition of this kind of financial juggling by South American debtors.

Later in the century, sentiment revived; but, by 1881, only Argentina, Brazil and Venezuela out of 13 Latin American sovereign borrowers were servicing their debts. More money went in periodically as the defaults were patched up, and New York replaced London as a source of international capital in the 1920s. This culminated in yet another wave of defaults in the 1930s.

Foreign investors had done rather better, however, when they invested directly in Latin American enterprises. After 1850, there was a big outflow of funds from the UK and elsewhere into developing countries on the basis of the same sort of arguments you hear now – Europe was mature and slow-growing, and surplus capital would earn a better return in high-growth regions. Instead of last century's railroads, tramways and water companies, today we have toll highways and telephone monopolies.

Any paper with a sovereign guarantee on it was untrustworthy, however. In the depression of the 1930s, bond investors retired to lick their wounds and re-decorate their lamp shades. By the late 1960s, though, the commercial banks arrived on the scene. Naive loan officers, bolstered by the notion that sovereign debt could never go bad (history was definitely not their strong subject) proceeded to recycle billions in petro-dollars to Latin American borrowers in the 1970s.

And so to the present day. Since the late 1980s, the overhang of unrepayable debt has gradually been cut away, mainly through the Brady-type restructuring formula which has involved large-scale write-offs and the securitisation of the remaining bank debts in various forms (including such exotica as temporary interest reduction bonds). Suddenly, Latin America has become solvent yet again – although, as usual, not by repaying its debts.

The key to ultimate respectability probably lies in developing adequate domestic long-term capital markets: foreign providers of capital will always be highly vulnerable unless they share a common interest with domestic investors. In this sense, the development of pension funds in countries like Chile and Argentina is encouraging. But history tells us that, in Latin America, mañana never comes – or, at any rate, it can be rescheduled repeatedly.

London

# Alas, some fairy-tales end in tears

*By Peter Martin, financial editor*

Walt Disney Presents
THE LITTLE SHAREHOLDER
*or* The Prince and the Paupers

The film opens in a bustling 18th century marketplace in the little French town of Marne-La-Vallée. In the background, maids are hanging bedclothes out of windows, housewives brushing doorsteps, bakers carrying trays of freshly baked loaves. Chickens peck around the edges, dogs chase one another underfoot.

Enter Prince Michael of Hollywood.

*Sings:*

"Far, far away in the USA
We built a World, a giant funhouse
Where millions come to play and pay
Now's Europe's chance to love the Mouse."

*Chorus:*

"You get rich, we get rich
We all get rich together."

*Michael (murmurs):*

"As long as it doesn't rain."

*(aloud):*

"Come, my friends, stump up your cash. We'll build a brave new fun-palace right here in Europe. In fact, we'll call it Euro Disney – and you'll own 51 per cent!"

Excited villagers crowd around him, showering him with gold coins. Suddenly, the cheerful hubbub is interrupted by a jarring crash, a puff of smoke, and the entry of the Wicked Fairy.

*Fairy:* "I am ze spirit of European culture! 'Ow dare you insult me wiz your 'orrible Mouses! I lay a triple curse upon you: ze scorn of French intellectuals, ze protests of revolting French farmers, and ze rain of summer 1993."

She disappears in a fresh puff of smoke and a crash of cymbals. The screen dissolves, and we move forward through time – to this week.

We are still in Marne-La-Vallée, but it now looks quite different. Glossy new hostels surround the marketplace. The ramparts of a Magic Castle tower over the square, decorated with battered inflatable Mickey Mouse figures. Chambermaids, housewives, butchers and bakers sit on their doorsteps, looking glum. A humble serving girl comes to the front of the crowd, dressed in rags. She is clutching a crumpled share certificate.

*Little Shareholder (sadly):*

"Long years ago we put our money where our Mouse was.
We paid eight quid a share for Mickey's home.
Now Euro Disney's talking to its bankers
They wonder if they'll ever see their loan."

*Chorus:*

"Prince Michael, we feel lost, abandoned, sore!
Have we been told the worst or is there more?"

Prince Michael appears talking into the telephone on a giant video screen in the corner of the square.

*Michael:*

"Can't you see I'm busy building a new theme park in the US? It's bad enough I'm having to make provisions against the debt your company owes me. I'm certainly not in the mood to listen to any whingeing Europeans. Don't call me – I'll call you." *(Hangs up abruptly.)*

*Chorus:*

"Euro Disney, Eurotunnel:
Euro frenzy's had its day.
Here's a rule for our investment:
Sadly, grand dreams do not pay!"

There were other unhappy fairy-tales this week. Take the story of The Disappointed Merchant Bankers, or Virtue Unrewarded. In any well-regulated fairyland, the higher-than-expected profits that both Warburg and Hambro reported would have been enough to push their shares to new heights. Instead, both shares fell. Warburgs saw its interim profits treble and raised its dividend from 5.25p to 6p, but its shares fell 20p on the day, to 857p.

It has a double reason to feel aggrieved: the adverse stock market reaction was partly a response to an act of virtue, a proper breakdown of the sources of its revenues. Brokers' analysts decided that this showed all too clearly that a high proportion of the bank's business came from profits from its trading desks, a potentially unstable source of earnings. The shares closed the week at 833p, down 57p.

The Unhappy Little Builder was another of the week's dismal tales, in the form of Costain's rights issue. It was taken up by only 28 per cent of its shareholders, leaving much of the stock in the hands of the underwriters, where it will hang over the shares for months. They closed the week at 26¾, down 2p.

There were some cheerful fables also: Lloyd's and the Fairy Godmothers, for example. A clutch of investment trusts have been launched to provide limited-liability for the insurance market, and though some of the wilder estimates of how much they might raise have been disappointed, it looks as though investors will find at least £750m of capital for Lloyd's in this way.

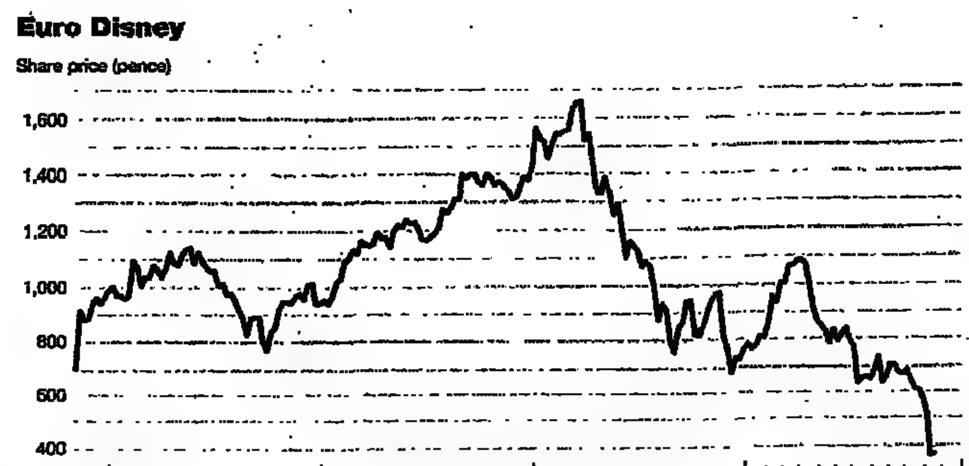
That's a sum that would have been regarded as the merest fantasy a few months ago, and it creates a small new quoted sector for investors to consider. So far, there has been little secondary-market interest: those trusts floated so far, such as HCG and Delian, have seen very thin trading. Hiscox Insurance Select, which plans to be a specialist insurer, focusing on such areas as insuring houses and pictures for the "carriage trade", has seen a bit more interest.

For the market as a whole, the fairy-tale continues. Even lacklustre results or gloomy trading statements from blue-chips such as Unilever, Shell and National Power, failed to dismay it this week. The FT-SE 100 index stayed safely around the 3,100 mark, closing at 3,099.1, up 13.5 on the week.

The sleeping giant – the US bond market – continued to stir in its sleep, however. There was a particularly loud snore from the US on Wednesday, caused by fresh inflationary fears and a disappointing Treasury auction. Though the fairy-tale continues to promise a happy ending, it has carried darker, Brothers Grimm overtones since last week's fall.

**Euro Disney**

Share price (pence)




Source: FT Graphite

### HIGHLIGHTS OF THE WEEK

| | Price y'day | Change on week | 1993 High | 1993 Low | |
|---|---|---|---|---|---|
| FT-SE 100 Index | 3099.1 | +13.5 | 3199.0 | 2737.6 | Wall Street confidence |
| FT-SE Mid 250 Index | 3421.1 | -39.0 | 3547.0 | 2876.3 | Widespread mark-down |
| Allders | 181 | +11† | 186 | 178 | Market debut |
| BAT Inds | 512 | +51 | 512 | 407 | Ending of US price war |
| Bespak | 330 | -143 | 707 | 290 | Profits warning |
| Burton | 67½ | -6 | 87½ | 64½ | Results disappoint |
| Euro Disney | 370 | -143 | 1180 | 355 | Losses/restructuring |
| FII Group | 313 | -29 | 490 | 280 | Profits warning |
| Fisons | 143½ | -9½ | 251 | 138½ | Bribery scandal |
| Forte | 227 | +12 | 250 | 170 | Stock shortage |
| Intl Food Machinery | 31 | -25 | 84 | 29 | Company re-rating |
| Pearson | 582 | +27 | 586 | 354 | Well-received figures |
| Sherwood Computer | 95 | -50 | 352 | 83 | Group warns on profits |
| Warburg (SG) | 833 | -57 | 940 | 529 | Profit-taking on good figures |

† Based on issue price of 170p.

Serious Money

# C shares: a simple A to B

*By Philip Coggan, personal finance editor*

THESE ARE heady days for the investment trust sector. Stock markets are riding high, discounts are narrow, investors are queueing to put more money into the industry.

Apart from the various new issues (see pages VII and VIII), existing trusts are taking advantage of the buoyant conditions to raise new funds. Govett Emerging Markets is looking for £30m, Foreign & Colonial Smaller Companies £40m, Amicable Smaller Enterprises £30m and Morgan Grenfell Equity Income Trust £25m; all in the form of C shares.

The documentation for a C share issue may be complicated but the idea is clever. When an investment trust raises new money, there will inevitably be a phase in which the bulk of the new money is in cash. If all the shares were lumped together in one pool, the effect for existing shareholders is that their money would cease to be fully invested in equities. Should the market rise suddenly, their shares would underperform.

Keeping the new money separate, in the form of C shares, avoids this problem. The C shares are only converted into ordinary shares once the bulk of the money is invested. As Hamish Buchan, analyst at NatWest Markets, describes the process: "It's as if a sister trust were being formed and they were then merged later on an agreed basis."

The C share structure also avoids the problem of market risk during the time the offer is open. Under a conventional rights issue, the rights price is set at a discount to the share price at the time of the announcement. Should the stock market fall sufficiently for the shares to drop below the rights price, no one would want to take up their rights and the issue would fail.

For a C share issue, the trust simply sets the price of the C shares at a nice round number (often 100p). When the time comes for conversion, the trust managers simply arrange the switch on an asset basis. If the C shares have an asset value of 100p, and the ordinary shares have an asset value of 200p, then two C shares will convert into one ordinary share.

Another advantage for existing shareholders is that the C shares bear all the costs of the issue. "It's a very clean, neat and fair system," says Buchan.

But should existing shareholders take up the C shares they are offered? There are some attractions. A C share issue usually occurs when the existing shares are trading at a premium to asset value. (If the existing shares were trading at a wide discount, there would be no incentive for investors to buy C shares and thus no chance of a successful issue.)

> *'The motto is invest in haste, repent at leisure'*

Since a premium is evidence of demand for shares exceeding supply, the issue of new shares is a sensible way of soaking up demand. If the premium is wide enough, the C shares could be more attractive than buying more ordinaries.

Apart from such technical factors, the most important decision to make is: do you want to commit more money to this investment area? If you already have 20 per cent of your portfolio in emerging markets, then subscribing to a C share issue might make you over-committed to a volatile sector.

If you had not even thought about buying more shares in the trust before you saw details of the C share issue, then perhaps the issue is not for you. You will be no worse off if you ignore it.

There is a more general point. History has tended to show that the times when investment trusts enjoy helter-skelter expansion are often the most dangerous times to buy their shares. The motto is invest in haste, repent at leisure.

A danger signal can be seen in the price of investment trust warrants, which have tended to rise sharply in price shortly after issue. Some investors are apparently stagging such issues; selling the shares in early trading but hanging on to the warrants.

What can easily happen is that the shares fall to say 95p (compared with an issue price of 100p) but the warrants (often issued on a one-for-five basis) shoot to 60p. The investor has effectively made a profit of 7p. "Value" has been created, apparently out of nothing.

But such alchemy cannot succeed for ever. A warrant issue is merely a deferred rights issue, after all. At some point, new shares will be issued and the existing shareholder's stakes will be diluted.

Warrant prices are a factor of the volatility of the assets within the trust and the time left for exercise. (The greater the volatility and the longer the time period, the more chance there is for profitable exercise and the higher the price investors are prepared to pay.)

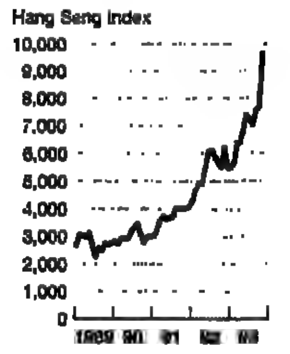
But according to Colin McLean of Scottish Value Management, who runs the Warrants and Value Trust, some of the very long dated warrants seem currently to be overpriced and his trust is looking for value in the shorter-dated area.

Investors should remember that warrants are highly-geared and speculative securities and are likely to be at their most speculative when stock markets are trading at all-time highs.

## AT A GLANCE

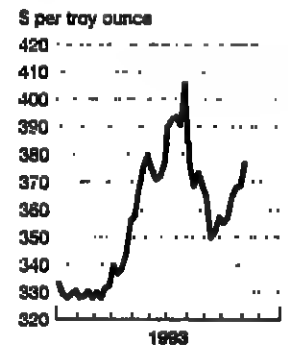
**Hong Kong**

Hang Seng Index




**Gold price**

$ per troy ounce




Source: Datastream

### Hong Kong shares keep on climbing

HONG KONG had another good week with the Hang Seng Index pushing upwards to close last night at 9,701.25, a rise of nearly 8 per cent over the week. The increase can be traced back to bullish comments about China by Morgan Stanley, the US securities firm, after a visit to China by a group of US fund managers in September. Hong Kong is seen as the investment gateway to China and US fund managers have been switching money away from unexciting US and European markets to Asia.

### Gold holds its gains

GOLD prices held this week after a strong rally towards the end of last week had pushed prices in London up by more than $8 to over $370 a troy ounce. The move appeared to have been started by investment funds buying on the New York Commodity Exchange. Prices this week in London hovered around $376.

**Golden future for base metals, pVIII**

### Midland launches gold card

MIDLAND BANK is launching a gold Visa credit card from Monday with a minimum credit limit of £3,000. The APR for purchases will be 19.9 per cent and the annual fee will be £35, or £45 to cover an additional cardholder. Cardholders can withdraw up to £500 a day worldwide and goods or travel paid for with the card will have 90 days purchase protection and travel accident insurance. There will also be a 24-hour helpline for travel assistance in an emergency. Applicants must be over 21 years old and earning £20,000 a year.

### Lloyds changes overdraft charges

LLOYDS BANK has changed the charging structure for customers who become overdrawn. Those who go into unauthorised overdraft, or exceed their overdraft limit, by more than £10 on any one day will be charged £7. If the unauthorised overdraft increases by more then £10 the next day, there will be another £7 charge. The bank is abolishing existing charges of £10 for informing customers of their overdraft by phone or letter or £3 for advising them by statement. The £4 charge for a cheque paid into an account and then returned is also being dropped, as is the existing £5 fee for going into an unauthorised or increased overdraft.

The penalty free overdraft of £100 on Classic and Current accounts will be reduced to £50 from January.

### Pembroke adds two trusts

TWO of Brown Shipley's unit trusts – the UK General fund and the International Income fund – have been acquired by Pembroke Administration, the unit trust subsidiary of John Carrington & Co, investment managers. Rationalisation was expected since the acquisition last week of Brown Shipley Unit Trust Managers by Capital House Investment Management, a division of the Royal Bank of Scotland. The UK fund will become the Pembroke Balanced fund. The international fund will be called the Pembroke Income fund.

### Small companies slip back

Smaller company shares fell for the second consecutive week. The Hoare Govett Smaller Companies Index (capital gains version) fell 1.4 per cent from 1611.71 to 1589.06 over the week to December 11.

Wall Street

# Traders nonplussed by trade vote

THE POLITICS of international trade can be devilishly complicated – just try explaining what GATT, the Uruguay Round or Blair House are all about – but US investors have adopted a sensibly direct approach to the North American Free Trade Agreement: if Congress passes the treaty next week, it will be good for the economy, good for US companies, good for the stock markets, and good for President Clinton.

Their reasoning is quite simple. Investors believe that Nafta will lift corporate profits because in a more open trading environment between the three signatory countries the US, with its superior industrial productivity rates and better-quality products, will enjoy the greatest economic benefits. The expectation is that growth in US exports to Mexico and Canada will outpace growth in imports from its neighbours to the north and south.

Investors are not alone in their optimistic view of Nafta. Most Wall Street economists are pro-Nafta, as are the majority of business leaders, if recent polls are to be believed.

There is, however, the dark side of Nafta to consider. What if Congress votes no? Investors fear that a rejection of Nafta would have dangerous knock-on effects around the world, depressing share prices in the US, Latin America and eventually Europe, and endangering vital trade negotiations over the Uruguay Round. By coincidence, the day after next week's Nafta vote, Clinton will be in Seattle for a trade conference with leaders of Asian Pacific Nations. If he arrives there fresh from defeat on Nafta, the President's authority on trade issues will be compromised.

Investors' darkest fear is that a no vote on Nafta would throw such a spanner in the works of world trade that it would lead to a new era of international protectionism, higher inflation and slower world economic growth.

In this scenario, inflation would be the biggest concern of markets. Many economists argue that the competitive forces unleashed by the accelerating collapse of international trade barriers have helped restrain global inflation. Low worldwide inflation has kept bond yields at historic lows, which in turn have boosted share prices to record highs in many markets.

Thus, any reversal in that trend – a return of trade barriers, higher inflation, higher bond yields, – could undermine equity markets that are already vulnerable to a sharp downward correction because of expensive stock valuations.

Then there is the political cost of Nafta's failure to consider. Although the President inherited the trade pact from his Republican predecessor, he has invested a lot of his own political capital in getting Nafta through Congress. On paper, this should not be a particularly difficult task, because Congress is controlled by Democrats.

Yet, opposition to Nafta among Democratic legislators beholden to labour interests is considerable. Anti-Nafta forces have warned that opening up trade with Mexico will lead to a migration of American jobs south of the border, where wages are much lower. Because the domestic labour market remains weak, this line has struck a strong chord with ordinary Americans. The result is that the President faces a tough fight ensuring that the House of Representatives votes to approve the treaty on Wednesday.

As of yesterday, the outcome of the vote was deemed too close to call. Stock markets in Mexico and the US, however, believe the chances of success for Nafta improved this week. Share prices in Mexico rose on Wednesday and Thursday, and US stocks made solid gains, following the televised debate on Tuesday between Vice-President Al Gore and Ross Perot, who is Nafta's most celebrated opponent.

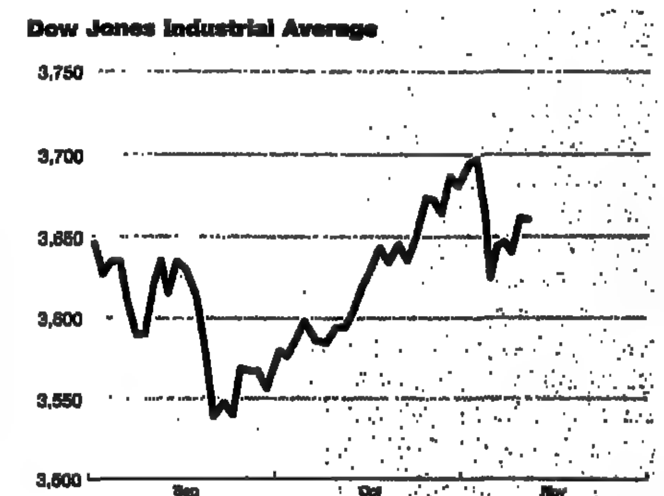
Gore clearly bested Perot in a heated war of words, and polls taken over the next few days revealed that more Americans had been won over to Nafta. Whether this helped swing the votes of some anti-Nafta legislators the Clinton administration's way remains to be seen.

Nafta is playing on investors' minds because doubts over its passage through Congress have arisen at a vulnerable time for stock and bond prices. A week ago bond yields jumped amid worries that resurgent economic growth might rekindle inflation. Although data released this week on producer and consumer prices showed that fears of rising inflation are, at least for now, unjustified, equity investors remain nervous about rising bond yields.

Amid all the doubts over the Nafta, one thing is certain, trading on markets next week is likely to be hamstrung by uncertainty over Wednesday night's vote, which, like the battle over President Clinton's first budget, will be extremely close.

***Patrick Harverson***

**Dow Jones Industrial Average**




Source: FT Graphite

| | | | |
|---|---|---|---|
| Monday | 3647.90 | + | 04.47 |
| Tuesday | 3640.07 | – | 07.83 |
| Wednesday | 3663.55 | + | 23.48 |
| Thursday | 3662.43 | – | 01.12 |

The Bottom Line

# Oil profits continue to flow

INVESTORS in the big integrated oil companies have cheered in recent weeks as a steady stream of third quarter results showing strong profits growth pushed share prices upwards. "Higher downstream margins and successful cost-cutting" have been the recurrent and common theme from the companies.

But a curious investor only has to visit the forecourt of their local petrol station to see the main reason why share prices of companies such as British Petroleum and Shell Transport and Trading have been surging.

Falling crude oil prices may have transfixed the worldwide oil industry, but motorists searching for a sign of their effect at the pump have found little solace.

In earlier periods of falling oil prices, vocal consumer complaints considerably shortened the time in which oil companies were able to enjoy widening marketing margins.

But there has been a curious absence of such clamour in recent months as crude oil prices, as measured by the benchmark Brent Blend, declined sharply from an average of $20 a barrel in the third quarter of 1992 to $16.50 a barrel in the same period this year.

Shell Transport and Trading, the main Shell investment vehicle for UK investors, and BP have both benefited from the boost in retail trading.

On Thursday Shell reported oil product sales up five per cent, helping it to an 8 per cent rise in profits to £861m. A week earlier BP nearly doubled replacement cost profits – which leaves out swings in inventory values – to £332m, with refining and marketing accounting for £269, a rise of £177 against the third quarter of 1992.

The shares of both companies have performed strongly this year. BP outperformed the FT All-Share Index by 21 per cent in the year to early November, while Shell was up 7 per cent in relative terms during the same period. But the figures do not tell the full story.

The markets greeted BP's results as confirmation that the company had finally turned the corner after a rocky 18 months. During that period many UK institutions have been decidedly stand-offish toward the company, although their US cousins were less reticent, snapping up about 27 per cent of BP shares.

For the first time since 1991 the company saw a cash inflow from operations excluding disposals. The sale of non-core assets was ahead of schedule, and debt was down by $1bn to $13.1bn. Successful cost cutting, the current buzzword in the industry and one of the criteria investors should look at when assessing oil shares, was writ large throughout the results.

Shell, on the other hand, displayed little impact of cost cutting, although analysts were divided as to the reasons. Some noted that a well-run company simply has less scope for savings. Other, such as Fergus MacLeod at Natwest Securities in Edinburgh, says another Shell virtue – gearing of just over 10 per cent – make it harder for efficiency gains to show up in profit improvements.

Yet another Shell virtue, according to Jeremy Hudson of Lehman Brothers Securities in London, lies in its higher yield: more than 1 per cent above BP. BP, however, is reluctant to increase dividends until debt is down to the desired level and the full effects of its restructuring programme show can be felt.

As for the future, almost all analysts suggest that investors keep a careful eye on the oil price. BP looks set to squeeze more value out of its businesses through cost cutting. And it will also continue to chip away at its debt with asset sales.

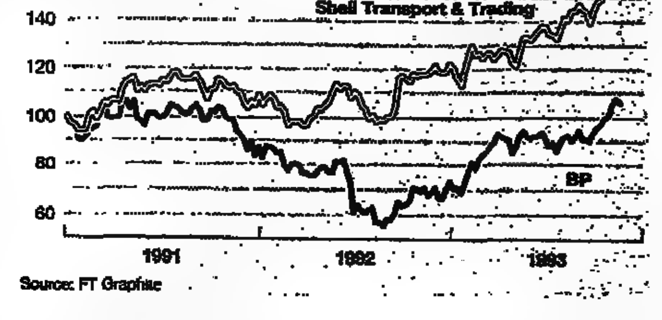
But persistently low oil prices over the next few quarters combined with sluggish economic conditions in Europe could take its toll, whereas Shell's bigger size and greater exposure to the faster growing economies in Asia could enable it to weather such a storm.

But if crude oil prices do fall further investors' should perhaps also keep an eye on their fellow motorists. Shell and BP will surely be doing so, as well as hoping that they stay sleepy and not notice if prices take a tumble.

***Robert Corzine***

**BP plays catch-up to Shell**

Share prices rebased




Source: FT Graphite

# Think second-hand for your policy

*Philip Coggan reports on the market in "used" endowments and where you can get them*

BUYING an investment "second-hand" implies something vaguely moth-eaten and sub-standard. But the growing market in second-hand endowment policies indicates that investors are not put off by the terminology. Most shares are bought second-hand, after all.

With-profits endowment policies are the investments most often used to back a mortgage. The fund invests in a mixture of bonds, equities and property and pays out the investment return in the form of bonuses. These are added to a guaranteed sum assured, which is the minimum the policy will pay if it is held until maturity.

Bonuses generally come in two forms: reversionary, which are paid every year and, once announced, cannot be withdrawn; and terminal, which are paid at the end of the policy's life.

The idea is for the policy to produce a *smoothed* return so that the investor is not threatened by a sudden dip in the stock markets. But this smoothing effect has other consequences, which has led to much criticism of the widespread sale of endowments.

The main problem is that investors who cash in policies early often receive poor returns. On a 25-year policy – the type used most commonly to repay a mortgage – it can easily take 10 years for the surrender value of the policy to equal the premiums paid in.

These low surrender values are caused by a variety of factors. One is that endowment policies give investors some life cover; that represents a cost to the insurance company.

The company also has other costs to bear, such as the commission paid to the salesman or adviser which might total several hundreds of pounds.

Another factor is that the bonus system forces companies to be cautious. Because reversionary bonuses, once paid, cannot be withdrawn, companies inevitably do not pay out all the investment return in that form. A fair chunk is left to be paid as the terminal bonus.

The peculiarities of this system create the opportunity for second-hand investors. Many investors want to surrender their policies early. If they surrender after only 10 years of 25, they will normally receive far less than they would have received as the final payout of a 10-year policy.

According to Kleinwort Benson, research shows that such surrenders average around 72 per cent of the "asset share" attributable to the policy. So, an outside investor could buy a policy at, say, 85 per cent of asset share and everybody would be happy. The policyholder gets a greater amount than he would have done had he surrendered; the second-hand investor will have bought assets at a discount.

Obviously, a lot of legal paperwork is needed before an insurance policy can be transferred (*assigned* in the jargon) from one person to another. The Bath-based Policy Plus arranges for an independent solicitor to handle the transaction and to check, for example, that the policy has not been assigned to someone else. After a few months, the investor should receive an acknowledgement from the insurance company that the policy has been re-assigned.

What happens then? The second-hand buyer must keep up the payments on the policy until it matures. On maturity, he will get its full value. Providing it is a qualifying policy (essentially, that it has a term of more than 10 years), the proceeds will be free of income tax but subject to capital gains tax.

If the investor alters the maturity of the policy, it might become non-qualifying and there could be a higher-rate income tax charge on the maturity proceeds.

If the original policyholder dies before the policy matures, then the second-hand investor will receive either the death benefit or the guaranteed sum plus accrued bonuses, whichever is the higher. The second-hand investor does not himself receive any life cover.

Where do you buy a second-hand policy? There are a number of routes. Foster & Cranfield (071-608 1941) holds a regular auction at which investors can bid for individual policies. Other companies such as Beale Dobie (0621-851 133), Policy Plus (0225-466 466), Policy Portfolio (081-343 4567) and Securitised Endowment Contracts (081-207 1666) are market-makers. They act as middle men between buyers and sellers, making a profit from the spread between their buying and selling prices.

A different approach is to buy shares in one of the growing number of funds which invest in second-hand endowment policies. Kleinwort Benson is launching its second investment trust in the field.


According to Kleinwort's Simon White, buying through a fund means investors do not have to worry about paying future premiums. They also get the benefit of a spread of policies managed by investment professionals. "Few investors would feel confident enough to know the right price to pay for a policy at auction," White adds.

The trust will have a 12.5-year life and, mainly, will buy policies maturing in 2005-2006. Shares are on offer at 100p, with 50p payable on application and a further 50p six months later.

Minimum investment is 1,000 shares. The trust will pay no dividends and all the return will come in the form of capital gain.

Kleinwort estimates that the investor will receive a compound return of 11.5 per cent a year, assuming existing reversionary and terminal bonus rates are maintained. On more conservative assumptions that bonus rates are paid at 90, or 80, per cent of present levels, the return falls to 10.3 and 9 per cent respectively. That is still significantly ahead of the returns on offer from building societies – and, since it comes in the form of capital gain, it has the chance of being tax-free.

Shares in the first Kleinwort Endowment Policy trust were trading yesterday at 114.5p, compared with an issue price of 100p.

Another option for investors is BZW's endowment fund, based offshore, which will distribute its assets over the last five years of its life (from 2001 to 2005) and is designed to help investors with planning for items such as school fees.

What returns should investors expect from second-hand policies? Over the past few years, 25-year policies have tended to pay out the equivalent of 11-13 per cent a year over their life. Buying second-hand ought to enhance those returns. On the other hand, bonuses are on the way down as companies "smooth out" the effects of 1990 when they set bonuses too high.

While those returns are respectable, a good unit or investment trust ought to earn more. M&G Recovery, for one, has returned 20.8 per cent a year since launch in 1969.

# Yield attractions

FEW INVESTORS would be excited when offered a real yield of 3.09 per cent, writes Michael Dyson.

But what if they were told they could buy Treasury Index-linked 4.375 per cent 2004 at 114.625 and, in addition to an index-linked income which started at around 4 per cent, could expect to be repaid in 2004 at a price of £114.625, or £157.45, or £283.285? Those are the tax-free repayment prices, assuming inflation of 0.86 per cent, 4 per cent and 8 per cent respectively. While the repayment of £283.285 may sound the most attractive, inflation would mean that in real terms the return is slightly worse.

Another approach for investors is to consider what inflation rate will be needed to make an index-linked investment better than, say, a building society account. This is known as the break even inflation rate. For example, looking at the 2 per cent Index Linked 1996, to the 40 per cent taxpayer, if inflation averages 2 per cent over the next two years, the total net return of 4 per cent would match the best net building society returns.

In practice, most accounts pay lower rates and even a low inflation rate, probably below 1 per cent, would be better than deposit rates. Any "extra" inflation will be a bonus and, as inflation is likely to be at least 3.5 per cent over the next two years, the Treasury 2 per cent index-linked 1996 is significantly more attractive than a savings account.

Reports suggest the corporate index-linked market may be set for further expansion. Of the few existing issues, Severn River Crossing 6 per cent IL 2012 continues to offer a superior inflation-proof return.

Zero dividend preference shares are as far removed as you can get from index-linked bonds. They are investment trust shares that pay no dividend but instead promise to repay the holders of the shares at a higher price. For instance, Sphere IT zeros could be bought on November 11 for 91.75p for repayment at 107.5p on October 31, 1995. The capital gain of 17.2 per cent equates to a semi-annual gross redemption yield of 8.35 per cent.

While we would not suggest that the repayment of zeros is totally without risk, Sphere's assets are currently 30 per cent more than is required to repay the zeros in full and we do believe that the surplus assets provide an effective cushion against falling markets.

■ *Michael Dyson is a director of Barclays de Zoete Wedd Capital Markets Ltd. BZW Capital Markets is a market-maker and cannot deal with private clients direct; those interested in buying bonds should approach a broker.*

**Fixed interest securities for private investors**

| Issuer | Coupon % | Price | Rdm date | Rdm price 1.8% RPI | Rdm* price | Real Yld 1.8% RPI | Real* Yld | Net R* Yd 25% | Net R* Yd 40% |
|---|---|---|---|---|---|---|---|---|---|
| **Index linked gilts** | | | | | | | | | |
| Treasury IL | 2.00 | 202.31 | 16/9/96 | 217.8 | 234.2 | 2.34 | 2.27 | 1.77 | 1.47 |
| Treasury IL | 2.50 | 171.69 | 24/9/01 | 206.6 | 258.3 | 3.14 | 2.90 | 2.22 | 1.89 |
| Treasury IL | 4.375 | 114.63 | 21/10/04 | 126.0 | 174.0 | 3.22 | 3.08 | 2.02 | 1.40 |
| **Index linked debenture** | | | | | | | | | |
| Severn River | 6.00 | 122.5 | 30/6/12 | 146.1 | 255.7 | 4.63 | 4.49 | 3.15 | 2.34 |

| Issuer | Price | Rdm date | Rdm* price | GRY s.a. | NRY* 25% | NRY* 40% |
|---|---|---|---|---|---|---|
| **Zero dividend pref shares** | | | | | | |
| Sphere | 91.75 | 31/10/95 | 107.5 | 8.35 | 7.52 | 7.01 |
| Fleming Intl High Inc | 93.50 | 5/10/96 | 117.8 | 8.16 | 7.38 | 6.90 |
| St Davids | 145 | 30/11/98 | 207.0 | 7.22 | 6.67 | 6.33 |

*Assumes inflation at 5 per cent

FINANCE AND THE FAMILY

# Talks set over mortgages

*Lenders and advice bureaux to thrash out problem of those who fall behind with payments, says Alison Smith*

THE Council of Mortgage Lenders is to meet with the National Association of Citizens' Advice Bureaux within the next month to discuss a NACAB report* into mortgage arrears and repossessions. The report, published this week, makes wide-ranging recommendations for changes to legislation, county court rules, and to the code of practice dealing with the behaviour of lenders when borrowers fall behind with payments.

The CML, which represents building societies and centralised lenders such as banks, has said it will look closely at the proposals and consider revising its guidance to members.

Drawing on evidence produced by almost 250 CAB offices during 1993, the report highlights examples of individual cases where the existing safety nets provided by mortgage protection insurance and social security benefits have not worked properly. CAB offices deal with an estimated minimum of 10,000 mortgage arrears inquiries every month.

The study says mortgage protection policies can often exclude cover for unemployment and illness – among the most common reasons for people falling into mortgage arrears. In one example, a CAB client who was a miner warned his insurance company he was threatened with redundancy. The company then withdrew the cover and offered an alternative policy which excluded redundancy.

The report recommends that the Financial Services Act should be extended to include the sale of mortgage protection policies, and that there should be regulation of the charges that can be made when a borrower is in arrears. It also argues that, in some circumstances, such borrowers should be able to sell their properties on the open market at a shortfall, with an undertaking to repay the shortfall over the outstanding period of the mortgage at the lender's normal unsecured rate of interest.

In one of the NACAB case histories, a man who was unable to keep up mortgage repayments after losing his job found someone who offered £45,000 for his house – but the building society refused to let the sale go through for less than £50,000. The house was later repossessed and sold for just £29,000 leaving the original borrower some £21,000 in debt.

NACAB also is concerned that people sometimes do not realise that, even after their home has been repossessed, they may still be liable for other costs, such as interest charges for the period before the property was resold.

While the CML is cool about some of the recommendations, it also has concerns in some areas such as insurance policies. Insurance is seen as particularly important because of signs that the government is keen to encourage people to take out private insurance to protect mortgage payments instead of seeking to rely on social security.

Ann Abraham, NACAB's chief executive, said: "CAB evidence clearly demonstrates the failure of voluntary regulation and the urgent need for statutory controls in this area, particularly if the government plans to shift the burden of protection from social security to the insurance industry."

**Dispossessed: CAB Evidence on Mortgage Arrears and Repossessions is available at £6 from NACAB, Myddleton House, 115-123 Pentonville Road, London N1.*

■ FIXED-rate mortgages continue to be an attractive option, although borrowers should be wary of compulsory insurance-related products and high arrangement fees.

Two of the lowest fixed-rate deals on the market come from Cheltenham & Gloucester building society and BNP Mortgages, the UK lending arm of Banque National de Paris. Both are offering 6.99 per cent fixed for five years, with an early redemption penalty of six months' interest. Neither offer is tied to the purchase of insurance-related products and both are portable.

The C&G mortgage (7.3 APR) has an application fee of £250, but applicants who are interviewed in a branch will have a £50 reduction. Borrowers must have a 10 per cent deposit although existing C&G borrowers need provide only 5 per cent. The arrangement fee on the BNP offer is £295, which will be charged only on completion of the mortgage and not on application. The 6.99 per cent rate (7.8 APR) is for those with a deposit of 15 per cent. A larger loan will attract a higher fixed rate of 7.75 per cent (8.1 APR).

## TAKE-OVER BIDS AND MERGERS

| Company bid for | Value of bid per share** | Market price** | Price before bid | Value of bid £m's** | Bidder |
|---|---|---|---|---|---|
| Prices in pence unless otherwise indicated | | | | | |
| AB Consulting ‡ | 51½ | 45 | 40 | 5.43 | WSP |
| [illegible] & Fountain | 2* | 2¼ | 4 | 2.10 | Marlowe |
| British Syphon | 97 | 85 | 95 | 32.80 | Graystone |
| Ferranti Int'l | 1* | 1½ | 2¾ | 110.00 | GEC |
| Multitone | 143* | 140 | 131 | 21.50 | Champion Tech. |
| P-E Intl. ‡ | 72½ | 73 | 65 | 15.81 | Cray Elect |
| [illegible] Inv Co. | 170.5 † | 165 | 147½ | 58.00 § | Lon St Lawrence |
| Whitbread Inv Co | 705 | 759 | 680 | 444.85 | Whitbread |

*All cash offer ††Value of bid based on 30% stake. §For capital not already held. ‡ Unconditional. **Based on 2.30 pm prices 12/11/93. §§Shares and cash. †Value of bid based on remaining 20% of shares. ◊Value of bid based on remaining 25% of shares. ‡ Net asset Value.

## The Week Ahead

Shares in British Steel shares have more than doubled this year, reflecting relief that the group has been able to make price increases stick in the slowly recovering UK market.

On Monday analysts expect pre-tax profits of about £10m in the six months to October, compared with a loss of £51m last time, and resumption of an interim dividend of 0.5p.

Most interest will focus on the progress of restructuring the European steel industry, with the company anxious to maintain maximum pressure on the UK government to seek the closure through the European Commission of less efficient capacity.

The City will be looking for confirmation from British Airways on Tuesday that the airline is riding out the recession better than its main competitors. Pre-tax profits for the second quarter should be close to £170m, compared with £136m last year.

Interim results the same day from BAA, which operates the UK's biggest airports, should see pre-tax profits rise beyond £240m, compared with £220m last time, with the dividend rising to almost 7p from 6.25p.

Analysts will be keen to see how the company's retailing interests are faring. That part of its business is taking on an increasingly important role as parking and landing fees aid by airlines are tightly controlled by regulatory rules.

Commercial Union and General Accident are both expected to report substantial increases in profits when they post their results for the first nine months of 1993 next week.

Analysts expect GA to record pre-tax profits on Tuesday of between £195m and £230m compared to a loss of £37m at the same stage last year.

CU on Wednesday is expected to register an increase to between £128m and £151m, compared to £6m last year. Increases in premium rates, especially in the UK and improved claims experience are the main reasons.

Cable and Wireless interim pre-tax profits forecasts are in the range £490m to £520m. At £500m, C&W would be 32 per cent ahead of last year (£378m), with earnings per share up to 10.9p from 9p (adjusted).

However, most of the increased profit is attributable to currency gains on its business in Hong Kong and the Caribbean. Currency neutral, earnings growth is projected at slightly under 10 per cent, with UK subsidiary Mercury performing less well than the overseas businesses.

Land Securities, the UK's biggest property company, is expected to report flat interim figures on Thursday. Analysts are looking for pre-tax profits of around £117m – half the £234m for the year ended March. A small increase in the dividend for the full-year is expected, but there might not be a rise in the interim, which was 6.3p last time.

## PRELIMINARY RESULTS

| Company | Sector | Year to | Pre-tax profit (£000) | | Earnings* per share (p) | | Dividends* per share (p) | |
|---|---|---|---|---|---|---|---|---|
| Assoc. British Foods | FdMa | Sep | 338,000 | (267,000) | 50.7 | (37.0) | 15.0 | (14.0) |
| Automagic Holdings | n/a | Jun | 122 | (1,260 L) | 2.6 | (-) | - | (-) |
| Bibby (J) & Sons | InCn | Sep | 7,100 | (32,300) | 2.26 | (20.1) | 2.0 | (0.75) |
| British Empire Sec. | InTr | Sep | 1,870 | (1,770) | 1.17 | (0.99) | 0.85 | (0.80) |
| Burton Group | Strs | Aug | 18,500 | (800L) | 1.1 | (0.8) | 2.2 | (2.0) |
| Dickie (James) | Eng | Aug | 678 | (206) | 8.4 | (2.5) | 2.9 | (1.0) |
| Estates & Agency | Prop | Jun | 708 | (1,110) | 9.64 | (16.97) | 7.5 | (6.0) |
| Molyneux Estates | Prop | Jun | 2,530 L | (1,100 L) | - | (-) | 1.0 | (-) |
| Scottish Value Trust | InTr | Sep† | 97.34 | (80.95) | 1.76 | (1.76) | 1.8 | (1.8) |
| Tottenham Hotspur | H&L | May | 3,380 | (3,080) | 19.1 | (23.4) | 2.6 | (-) |
| Wardle Storeys | Chem | Aug | 8,040 | (9,810) | 27.7 | (25.0) | 17.25 | (16.0) |

## INTERIM STATEMENTS

| Company | Sector | Half-year to | Pre-tax profit (£000) | | Interim dividends* per share (p) | |
|---|---|---|---|---|---|---|
| ACT | Elec | Sep | 11,500 | (8,540) | 1.75 | (1.75) |
| Adam & Harvey | BsSr | Sep | 2,950 | (2,460) | 5.0 | (5.0) |
| Amersham | H&H | Sep | 17,400 | (10,200) | 4.4 | (4.0) |
| Anglian Water | Wtr | Sep | 100,500 | (100,200) | 7.3 | (6.8) |
| Appleby Westward | FdRt | Sep | 730 | (1,010) | 3.2 | (3.2) |
| [illegible] | n/a | Sep† | 130,900 | (85,800) | 3.75 | (3.13) |
| [illegible] | | | | | | |
| Waddington (J) | PP&P | Oct | 9,010 | (7,760) | 3.3 | (3.5) |
| Warburg (SG) | MrBk | Sep | 146,800 | (94,200) | 6.0 | (5.25) |
| Warner Howard | BsSr | Aug | 3,220 | (3,010) | 2.2 | (2.12) |
| Wilshaw | Othr | Sep | 1,280 | (809) | 0.2 | (0.15) |

(Figures in parentheses are for the corresponding period)
*Dividends are shown net pence per share, except where otherwise indicated. L loss. [illegible] value per share. ◊ Available revenue. ¶ Net revenue. ★ 3rd Quarterly figures. ☆ net profit. ‡ Figures for nine months. ♥ Irish pounds and pence. § Figures in Australian dollars.

## RIGHTS ISSUES

Arcadian is to raise £[illegible] via a [illegible] rights issue at [illegible].
Maddox Group is to raise £3.0m net via a 7-8 rights issue of [illegible] shares at 1p.
Wyevale Garden Centres is to raise £[illegible] via a [illegible] rights issue of [illegible] shares at [illegible].

## OFFERS FOR SALE, PLACINGS & INTRODUCTIONS

Badgerline Group is to raise £17m via a placing and offer of shares at 115p.
Dixon Motors is to raise £749,600 via a placing of [illegible] shares at [illegible].
Harmony Leisure is to raise £5.[illegible]m via a placing of [illegible] shares at [illegible].
Hozelock is to raise £15m via a placing of 11.2m shares at 250p.
Independent Insurance is to raise £25.[illegible]m via a placing and offer of 10.[illegible]m shares at 250p.
Litho Supplies is to raise £14.2m via a placing and offer of shares at 110p.
Pilot Investment Trust is to raise £35.0m via a placing of [illegible] C shares at 100p.
Storm Group is to raise £[illegible]m via a placing of [illegible] shares at 17p.

## RESULTS DUE

| Company | Sector | Announcement due | Dividend (p)* Last year Int. | Final | This year Int. |
|---|---|---|---|---|---|
| FINAL DIVIDENDS | | | | | |
| Betz Brothers | C&C | Thursday | - | - | 0.5 |
| [illegible] | | | | | |
| INTERIM DIVIDENDS | | | | | |
| [illegible] | | | | | |

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about 6 weeks after the board meeting to approve preliminary results.¶ - 3rd Quarter figures.

## FINANCE AND THE FAMILY

# BES gets a medical slant

*Scheherazade Daneshkhu finds pathology and dentistry among the ventures seeking money for expansion*

THE BUSINESS expansion scheme has been used to raise money for anything from goat breeding to distilling whisky, but the latest trading ventures have a medical flavour. HarleyScreen is a pathology laboratory which specialises in walk-in HIV testing and vasectomies. Last year, it raised £741,000 through a BES issue and spent part buying a virology laboratory.

It is now seeking to raise a further £750,000 for two more labs to expand the business. Shares will be issued at 120p for those who apply before November 29 and at 125p for others. The issue is sponsored by Matrix Securities and the minimum investment is £1,000.

Golden Hands is a dental payments scheme launched as a BES. According to the prospectus, the aim is to help dentists gain new business while offering discounts to patients. There would be a registration fee of £25 and an annual £10 fee to the public in return for members receiving discounts from participating dentists.

Nick Percival, of BESt Investment, highlights one of the risk factors mentioned in the prospectus which states that the scheme "is innovative and has not yet been available to the public or the dental profession; accordingly, its future cannot be accurately assessed." Percival says: "Investors should be wary of innovative companies which provide little financial information, have not done market research, and where the directors are part-time and therefore do not need the company to survive."

Several new assured-tenancy schemes have also been issued, and BESt Investment reminds PAYE investors of the importance of timing of tax relief. They are unlikely to have enough time to obtain a tax coding change if they receive their BES-3 certificates much beyond mid-February, and this reduces the projected return.

BESt Investment calculates that if investors have to wait until agreeing their 1993/94 tax return with the Inland Revenue, the exit price will be reduced by one percentage point. "An exit price of 117p and early tax certificates can easily offer better value than 120p and some doubt about a tax coding change," it says.

Sponsor Hodgson Martin, which raised £11m in September for Magdalen College, Oxford, is launching a second scheme for the college to raise £7m to build accommodation. The exit price is 123p, which equates to 14.5 per cent a year for a top-rate taxpayer, but there is no cash backing. Minimum investment is £2,000.

Accumulus Hallam II is a contracted-exit scheme sponsored by Terrace Hill Capital for Sheffield Hallam University. It offers a fixed-exit price of 125p, equating to a return of up to 15 per cent a year after five years for every 100p invested. Cash backing covers only half the university's obligations. Minimum investment is £1,000.

Cavendish Gleeson Cash-Backed, sponsored by Smith & Williamson, will buy residential properties from M.J. Gleeson Group, a quoted company, to let on an assured-tenancy basis. Gleeson is to buy back shares from investors at 120p after five years. The issue is backed by cash deposits at Lloyds bank and the minimum investment is £1,000.

At least three housing association BES are being launched. BESSA Springboard aims to raise money for new and refurbished property to be used by Springboard Housing Association for homeless people. Investors can choose a fixed-exit price of 120p (equating to 14.1 per cent to a higher-rate taxpayer) or a return linked to interest rates, measured by three-month Libor.

The variable return will comprise a fixed return of 80p plus 1p for every 1 per cent rise in interest rates above 5.75 per cent each quarter. Although three-month Libor is at its lowest for 15 years, this option will be attractive only to those who think the government will not maintain inflation within its target range of 1-4 per cent. Minimum investment is £2,000.

Matrix Securities is sponsor to Homes for South Wight, Isle of Wight and North Cheshire, three housing associations which will use up to £9.5m to provide accommodation at low rents to people in housing need. The associations say they will provide a fixed return of 125p, equating to 14.5 per cent a year for a higher-rate taxpayer, but there is no cash backing.

Aegis VI, also sponsored by Matrix, aims to raise up to £10m for English Churches Housing Association and offers a fixed, cash-backed exit price of 121p. The minimum investment in both Matrix schemes is £1,000. BESt Investment describes the issue as a "good-quality product from Matrix with a high exit price" but believes PAYE investors would do better to invest in a scheme with earlier tax relief than the timetable of mid-April 1994.

First Residential Properties, which has issued a number of BES companies, aims to raise more money to buy properties in London to let on an assured-tenancy basis. Minimum investment is £3,000.

Ridings III, sponsored by Capital for Companies with house-builder Persimmon, aims to buy residential properties for letting on assured tenancies. Persimmon intends to buy back the properties from investors at a minimum of 120p after five years (equating to 13.7 per cent for higher rate taxpayers) and its obligations are backed by an unconditional Bank of Scotland guarantee.

BESt Investment says that "given the quality of the initial portfolio, there must be a chance of some upside potential and this makes the issue relatively attractive." Minimum investment is £2,000.

■ *For further details, call BESt Investment (071-936 2037) and Best BES Advice (071-409 1111).*

## Complex structure, attractive returns

THE NEW business expansion scheme from the Anglia Polytechnic University is so complicated you almost need a degree to understand it, *writes Philip Coggan.* Flexit 2, sponsored by Richard Ellis Venture Consultants, could run for as much as 31 years, at the option of the university. Nevertheless, it is designed to offer attractive returns even if it runs beyond the normal five-year period.

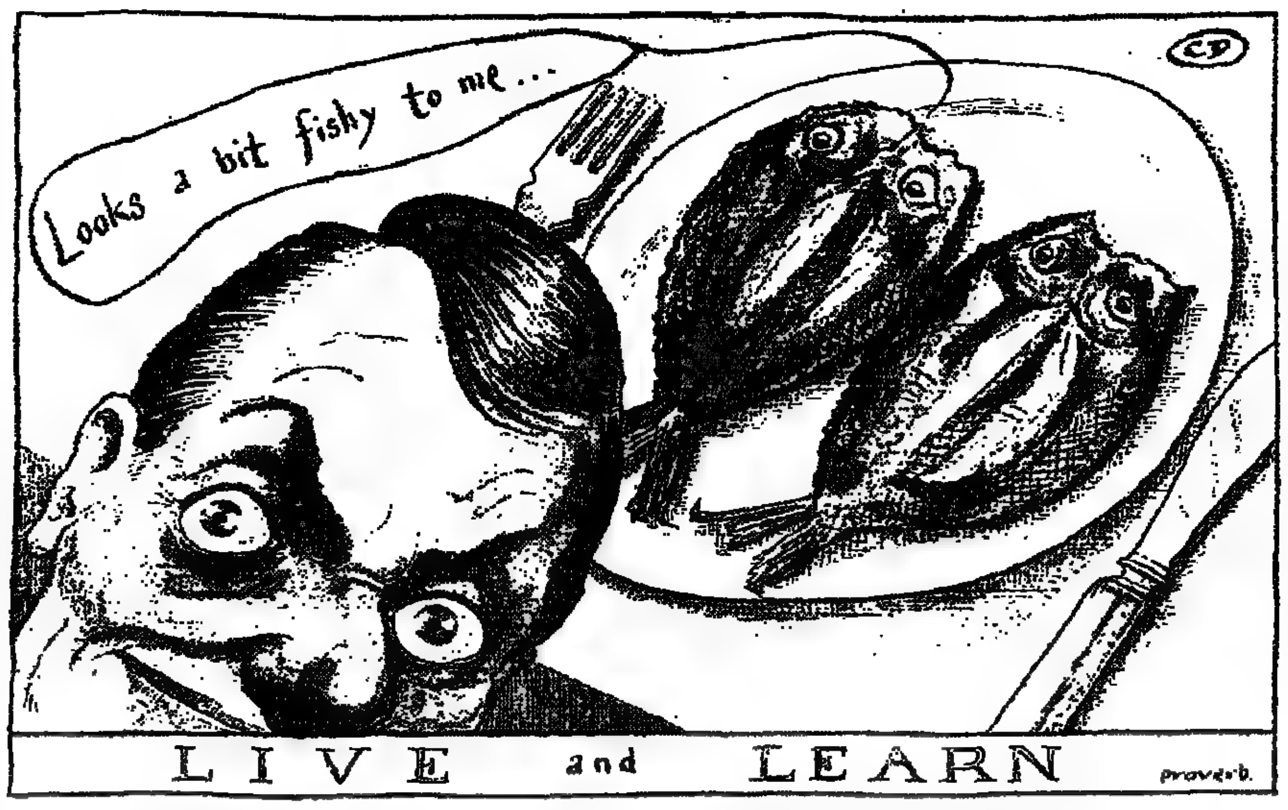
The £7.7m raised will be used to provide accommodation for students on campus in Chelmsford. At the end of year five, the university will have the option to buy back the properties at the equivalent of a share price of 128p. That would give higher-rate taxpayers an annualised return of 14.92 per cent, or 10.67 per cent basic rate taxpayers.

A 128p return is higher than anything available on other university schemes. But Flexit 2 is not cash-backed and the university might decide not to exercise its option, so there is a higher risk.

If the option is not exercised, the properties will be transferred into two trusts in December 1998. Investors will receive an immediate cash payment of 89p a share plus a rental income, equivalent to around 51.8p a share over the next five years. The university will then have further options to buy back the properties after 10, 15, 20 and 25 years. The sums are designed to give investors a gross return of 14.36 per cent over 10 years. If they pay tax at 40 per cent on the rental income, the return falls to 12.64 per cent net; however, the rental income is classed as Schedule A for tax purposes and can be offset against some other property borrowings.

The university will have a strong incentive to buy the property after five years since, at that point, the cost of its funds will rise substantially. The most likely outcome, according to Richard Ellis, is a scheme exit after five years.

# FINANCE AND THE FAMILY




Diary of a Private Investor/**Kevin Goldstein-Jackson**

# A kipper saved my bacon

THE WAITER slammed a plate with two pieces of rather ragged, cold kipper in front of me. "Here!" he said. *This* was supposed to be lunch? It looked more like the inedible remains of someone's breakfast.

Twenty minutes earlier, I had rejected the original main course presented to me because it was not what I had ordered. Now, everyone around me was poking at unappetising desserts.

It was March 1990. As chairman of the governors of a local school, I had been invited by the headmaster to attend a conference for head teachers. All morning, we had endured being sealed in a gloomy, airless room at the conference location: a Queen's Moat House hotel.

This experience was hardly an encouragement to buy shares in Queen's Moat. Even when analysts and other City pundits were recommending the shares, I avoided them, especially when business in the hotel industry clearly was tough with an ever-increasing number of hotels being advertised for sale by receivers.

In the same way that personal experience can often point the way to profitable investments, it can also provide warning signals and help prevent losses.

Early in the 1980s, I avoided investing in Trans World Airlines because of a bad experience on a flight from the US to Britain. The cabin crew had taken some time to be convinced that one of the engines was on fire, even though smoke was clearly visible from the aircraft's passenger windows.

Eventually, the aircraft changed course and returned to the airport but no TWA staff were available to advise on replacement travel plans.

After passengers had waited some hours without information, I used a pay telephone to call TWA's head office – where I was told that the jet was well on its way to London and could not possibly be back on US soil. This experience saved me from large investment losses.

When Mrs Fields' Cookies was launched on the UK stock market in 1986, I avoided it because a visit to one of its shops in London revealed a limited product range and few customers. The shares, floated at 140p, were suspended at 10p in 1991 and the company is now controlled by bankers.

From 1981-85, I was a director of Independent Television Publications, then the publisher of *TV Times*. At one point I was told, informally, that many thousands of badly-produced copies had had to be scrapped by one of the magazine's printers. This was because its boss had ordered that the presses could be stopped only with his personal approval.

On this occasion, with reject copies pouring off the presses, it had taken some time to make contact with him and gain his assent to a temporary shut-down for repairs. The man concerned was Robert Maxwell.

I knew from reading newspapers in 1971 that a Department of Trade investigation had thought him unfit to run a public company. And while, no doubt, he did help to sort out the British printing industry, I still regarded his business methods as questionable. The printing episode revealed that he was also rather stupid; thus, I therefore never invested in any Maxwell-controlled companies.

My two daughters and I used to like Lyon's Maid ice lollies. I thought about investing in Clarke Foods when it took over the ice cream interests of Allied Lyons in January 1992, but decided to wait until the spring to assess its sales against the competition.

We were rather surprised several times to find that our favourite was not available in local sweet shops, and it was clear that Clarke was having production and/or distribution difficulties. I did not invest. Clarke called in administrative receivers in October 1992.

When I walked around London in 1989, the unlet office blocks and shops that I saw led me to dispose of my last shares in the property sector. Thus, I avoided the subsequent sharp downturn in property company share prices and the collapse of companies like Mountleigh.

I still see many unlet shops and empty office blocks – yet, property shares have soared this year and I have missed out on some spectacular gains. So, some personal experiences are good only if other investors, especially big institutions, share them.

Many investment decisions have to rely on such published information as company reports and press coverage, since it is impossible to gain any relevant personal experiences from the companies concerned. It was, however, a personal experience that made me rather cautious about the role of auditors.

Many years ago, I was researching a television documentary. I was about to discuss the project with a City whizzkid when I overheard him on the telephone. He was trying to take over another company and wanted to boost his own company's impending results. He suggested that the numbers and values of the company stocks should be increased for the purposes of the accounts, as the auditors were unlikely to go around and count everything.

Recently, there has been criticism of small accounting firms such as Bird Luckin, auditor to Queen's Moat. This almost implies that, to be really safe in an investor's eyes, a company should be audited by one of the big firms.

However, even they have had their share of failed companies – such as Coopers & Lybrand with British and Commonwealth Holdings; Rush and Tompkins (Dominion International); and Price Waterhouse and Ernst & Young with Bank of Credit and Commerce International.

In my view, investment based on personal experience is the best way to avoid corporate disaster.



Casebook

# Bank backs down

IT IS possible to battle your bank and win. I hold an Abbey National investment account which I opened earlier this year with £2,500 and which allows two penalty-free withdrawals in a 12-month period. The terms and conditions state: "For account holders with a balance under £10,000, you can make up to two penalty-free withdrawals (subject to daily withdrawal limits) in each account year."

With this in mind, I planned to make two such withdrawals to pay for a holiday and, later, travellers' cheques. I wanted the first withdrawal of £1,300 to be divided into two cheques, one for £1,075.75 and the second for £224.25.

But the cashier was adamant that this constituted two withdrawals and that I would lose 90 days' interest on the next withdrawal, which I planned to make the following week because I could not give 90 days' notice.

I spoke to the branch manager, who agreed that the terms and conditions were vague on what constituted a withdrawal. My point was that this was one sum being withdrawn at one go, and that splitting it into two cheques was an administrative issue. Furthermore, I argued that there was nothing in the terms and conditions to make me think otherwise. We agreed that he would get in touch with head office and check the position.

I later received a letter from him saying: "... Having checked with my head office, I confirm that this effectively represents only one withdrawal from your account and, therefore, you are able to effect another penalty-free withdrawal from your account between now and 1st June 1994."

Needless to say, there was no apology for having been misled in the first place. And although Abbey National's head office has confirmed that such a transaction represents one withdrawal, there is no guarantee that future customers will not be given similarly incorrect advice, given the initial reactions of the cashier and manager.

***Kate Bevan***

# Directors' Transactions

A CLEAR two-way pull has developed in the property sector. Whereas six months ago directors were strong net buyers of both property investment and development companies, there has been a distinct divergence of opinion in the wake of the sector's recent rally.

Among the sales last week was that of Phillip Davies, managing director of Frogmore Estates, who sold 31,000 shares at 484p. The shares have outperformed the market by 65 per cent over the last year and it is easy to understand the desire to protect gains of that scale.

Davies is left with 113,000 shares after the sale, but it is worth noting that he sold approximately 70,000 shares in May at around 380p, some of them resulting from an option.

Three directors of Allied Textiles have sold a total of 113,000 shares at 515p. By far the largest sale was that of Geoffrey Willshaw, who unloaded 100,000 shares, leaving him with 760,000. Gerald Wightman, finance director and David Fearnley sold 8,000 and 5,000 respectively.

The Allied Textiles share price performance has been largely in line with the market and brokers are forecasting earnings growth of just 5 per cent in the year to September 1993. Final results are due to be announced in January.

Colin Rogers,
the Inside Track

**DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)**

| Company | Sector | Shares | Value | No of directors |
|---|---|---|---|---|
| **SALES** | | | | |
| Albert Fisher | FdRe | 228,420 | 159 | 1* |
| Allied Textiles | Text | 113,000 | 582 | 3 |
| Boots | Stor | 70,000 | 355 | 1* |
| Calor Group | O&G | 50,000 | 145 | 1* |
| Debenham, Tews & Ch | Prop | 45,800 | 50 | 1 |
| Frogmore Estates | Prop | 72,280 | 352 | 2* |
| Gerrard & National | OthF | 47,871 | 234 | 1* |
| Laing (John) | C&C | 66,000 | 198 | 1* |
| Lamont | Text | 40,000 | 166 | 1 |
| Lloyds Bank | Bank | 4,060 | 23 | 1 |
| Marks & Spencer | Stor | 9,165 | 37 | 1 |
| Moss Bros | Stor | 92,657 | 232 | 2* |
| Osprey Commun's | Med | 400,000 | 124 | 1 |
| Prism Leisure | H&L | 70,000 | 112 | 3* |
| Reckitt & Colman | Hlth | 38,000 | 259 | 1* |
| TR Pacific IT | InTr | 12,500 | 23 | 1 |
| Taylor Nelson AGB | Med | 100,000 | 28 | 1 |
| Transport Dev Grp | Tran | 44,858 | 122 | 1* |
| Williams Holdings | Othl | 255,090 | 849 | 1* |
| **PURCHASES** | | | | |
| Admiral | Elns | 3,118 | 14 | 2 |
| Blenheim Group | Med | 40,000 | 145 | 1 |
| Bridport-Gundry | EngG | 25,000 | 15 | 1 |
| Broadgate IT | InTr | 12,300 | 14 | 1 |
| Broadgate IT Wrnts | InTr | 87,700 | 39 | 1 |
| Burford Holdings | Prop | 25,000 | 22 | 1 |
| Business Tech Grp | Misc | 60,000 | 11 | 1 |
| Central Motor Auct | Motr | 10,000 | 13 | 1 |
| Eleco Holdings | Othl | 25,000 | 12 | 1 |
| Linx Printing Tech | Elns | 30,500 | 29 | 2 |
| Osprey Commun's | Med | 50,000 | 16 | 1 |
| Simon Engineering | EngG | 25,000 | 22 | 1 |
| Wilton Group | Misc | 5,000,000 | 71 | 1 |

Value expressed in £000s. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 1-5 November 1993.
Source: Directus Ltd, The Inside Track, Edinburgh

FINANCE AND THE FAMILY

# Countdown to Christmas

*Philip Coggan and Scheherazade Daneshkhu look at the latest investment offers*

ONLY 42 investing days remain before Christmas and fund management groups are racing to plant their seasonal offerings before potential savers. The fall in interest rates and the recent strength of world stock markets means this is an ideal time for the groups to launch new funds. It does not necessarily mean it is an ideal time for investors to buy them.

At least there is plenty of variety about the funds on offer. Five are covered below (a sixth, the Kleinwort Second Endowment Policy Trust, is featured on page III).

Two cover Europe, one focuses on ethical investments, one on global utilities, and a fifth has an international portfolio including high yield government bonds and emerging markets equities.

Investors also have a choice between unit and investment trusts. The old rule used to be that there was little point in buying an investment trust new issue. For a start, after allowing for expenses, you were buying the shares at a premium.

Then, either the shares would fall quickly to a discount to asset value (in which case, it was best to wait and buy them in the after-market) or another trust, with a similar investment strategy, would already be available at a discount.

For the moment, that rule does not seem to apply. Either trusts have some unique selling point which ensures sufficent demand to prevent shares from falling to a discount; or they have a split capital structure which, because of the tax advantages, has a similar effect; or they issue warrants, which compensate investors for the discount effect.

Friends Provident has both a unique selling point (the first ethical trust) and a split capital structure. Govett has warrants and a high yield which might create demand from Pep investors. Also, its investment combination is something not offered by other trusts and (because of the government bond content) would be difficult for private investors to replicate elsewhere.

For unit trusts, the launch is probably as good a time as any to buy, especially as the managers will usually offer a discount off the initial charge during the first few weeks.

The appeal of the European trusts might be questioned by some investors who realise that many leading European economies are in deep recession and that continental stock markets have recently been reaching all-time highs.

Nick Train, investment director of GT Management, points out that, while nominal interest rates have fallen in Europe, real interest rates remain high. He believes governments will have to cut rates further to stimulate their economies. Then, as has happened in the UK and the US, falling rates will lead to substantial flows of funds into equities and bonds as investors switch out of cash.

Although the price-earnings ratio of European equities is high, Train argues that European shares look cheap compared with other markets on a price-to-assets and a price-to-cash flow basis.

GT also believes that most Pep investors are over-exposed to the UK and should develop a more diversified portfolio. GT's fund will have no UK investments at all and more than 50 per cent is in equities to comply with Pep regulations.

Trades Union Fund Managers Ltd is also optimistic about prospects for growth in Europe; its trust is managed by Hill Samuel. Although TUFML expects most of the investment to be from unions, it hopes the fund will appeal to all investors.

Shares in TUFML are owned by the TUUT Charitable Trust, and a proportion of management profits from the TU British fund are paid into the trust to be used for charitable purposes.

Those who invest in the European Trust through TUFML can sign an income mandate so that the yield on their investment is donated to the Labour party. There are plans under way to arrange a similar mandate for donations to charity.

The Global Utilities trust is not technically a new fund but the re-launch of Gartmore's UK and International trust. It is the first in the field and makes a lot of sense; one problem with UK-only utility funds is their vulnerability to a change in the regulatory climate.

That risk is diversified by investing internationally; the downside for investors who seek income is that the yield is far less than on UK utility funds.

■ Name. Gartmore Global Utilities Fund.
■ Aims. To provide a mixture of income and capital growth by investing in world utility companies, such as electricity and telecom groups.
■ Yield. 3 per cent gross.
■ Minimum investment. £1,000, or £20 per month.
■ Charges. 5.25 per cent initial and 1.5 per cent annual.
■ Special terms. A 2 per cent bonus allocation of units during the promotional period, until the end of January.
■ Pepable? Yes, at no extra charge. At least 50 per cent of the portfolio will be in UK and European utility companies.
■ Comment. Utilities make up around 12 per cent of the FT-A World Index and they tend to be fairly stable stocks with good dividend yields. They are also important in emerging stock markets. With a number of UK utilities funds already in existence, Gartmore is restructuring its UK and International fund to fill an obvious market niche. Chances are it will be a solid fund, featuring neither at the top nor the bottom of performance tables.

■ Name. GT European Equity & Bond Fund.
■ Aims. To capitalise on the recovery in European equity and bond markets, whilst providing investors with a high income.
■ Yield. 4.25 per cent gross, paid twice a year.
■ Minimum investment. £1,000.
■ Charges. Initial 5 per cent, annual 1 per cent.
■ Special terms. A 1 per cent discount until November 26.
■ Pepable? Yes, the initial charge on a GT Pep is just 4 per cent (however, the launch discount does not apply).
■ Comment. GT already has a European unit trust which has a fairly good performance record for its sector.
It is 4th (out of 15) funds over the 10 years to November 1 and 18th (out of 128) funds over the one year period. Growth over the two periods was 393.5 per cent and 32.7 per cent respectively.
The balanced nature of the fund provides some comfort to those who feel that stock markets are too high, but who want more attractive investment returns than can be provided by cash.

■ Name. Friends Provident Ethical Investment Trust.
■ Aims. To offer an attractive yield, combined with the prospect of capital growth by investing in UK equities, selected in accordance with Friends Provident's ethical guidelines.
■ Terms. A combination of ordinary shares and zeros. Payment is in two instalments – 60p upfront and a further 40p (on the ordinaries) and 43p (on the zeros) in February 1994.
■ Yield. 8 per cent (in the form of income) on the ordinaries and 8 per cent (in the form of capital growth) on the zeros.
■ Minimum investment. £1,000.
■ Charges. Issue expenses of under 4 per cent, annual charge of less than 1 per cent.
■ Pepable? Yes, at no extra charge.
■ Comment. The past has shown that investors do not necessarily sacrifice profits if they follow their principles and Friends Provident is a specialist in the field. The zeros represent a low risk option for the cautious with a conscience.

■ Name. Govett High Income Investment Trust.
■ Aims. To provide a high level of income with the potential for capital and income growth by investing internationally.
■ Yield. 7 per cent gross, paid quarterly.
■ Minimum investment. £1,000.
■ Charges. The annual management charge will be 1 per cent. The costs of the issue will be 4.8 per cent.
■ Terms. Shares are on offer at 100p, with warrants attached on a one-for-five basis.
■ Pepable? Yes, at no extra charge for those who apply through the offer. There is a £25 charge on sales of shares.
■ Comment. An unusual mix of UK equities, high yielding bonds and emerging markets shares.
The idea is that the bonds provide the yield, the emerging market shares produce capital growth and the UK equities offer a little bit of both.
This is not a trust for first time investors, but one for income-seeking savers who are prepared to take a risk.

■ Name. TU European Trust
■ Aims. To provide capital growth over the medium term through investment in large and medium sized companies quoted on European stock markets, including the UK.
■ Yield. 4 per cent gross.
■ Minimum investment. £1,000, or £50 per month.
■ Charges. 4 per cent initial and 0.875 per cent annual.
■ Pepable? Yes, at no extra cost.
■ Comment. This is only the second trust launched by TU Managers and it comes some 30 years after the launch of its TU British trust. Charges on the fund are noticeably lower than the industry average.
The manager for both funds is Hill Samuel. The performance of TU British was above average in the 10 years to November 1 and in the year to November 1, according to Micropal but below average over the five and three-year periods. Hill Samuel envisages some 30 per cent of the fund being invested in the UK. Investment policy will be influenced by Trades Union Congress and Labour party views.



Unit Trusts/Prosperity Emerging Markets

# A prosperous punt

*Scheherazade Daneshkhu on a consistent performer in a risky area*

EMERGING markets have become a fashionable area of investment but, for many private investors, they will appeal only as a punt because of the risk in investing in what are often illiquid markets. Consistency and volatility do not usually go hand in hand but Prosperity can point to an impressive record for the performance of its Emerging Markets fund.

The fund, launched in March 1987, is top of the international equity growth sector in the five years to November 1 and second over three years and one year (offer to bid with net income reinvested; source, Micropal). It has performed well in spite of the stewardship of a series of fund managers and other management changes.

Prosperity Unit Trusts is still owned by Municipal Mutual, the insurance company which stopped writing new business last year, but management of the funds was handed to Commercial Union Investment Management in April.

Roger Bade, the present fund manager, has been a fund manager at CU for the past 10 years with responsibility for the company's UK funds and environmental unit trust. He took over management of the Prosperity fund in July.

With much to live up to, Bade has so far maintained the performance of the fund, which is second over both six months and one month. Since he took it over it has grown by almost half – from £21m to over £30m today. This is one reason behind the rapid broadening of the fund: Bade has nearly doubled holdings from about 40 stocks to 76.

His investment strategy is first to seek out countries with good and sustainable growth prospects. His decision is influenced by factors such as whether the country has support from the International Monetary Fund and the degree to which it is open to foreign investors. He then chooses stocks by trying to decide whether they will benefit from the growth and expansion of those economies.

Bade is mindful of the volatility of the markets in which he invests. The perennial problem for unit trust managers, which is magnified for an emerging markets fund, is that if performance falters and investors want to liquidate their holdings, the manager may need to sell holdings quickly to meet redemptions. He therefore limits himself to large liquid stocks which are easily traded.

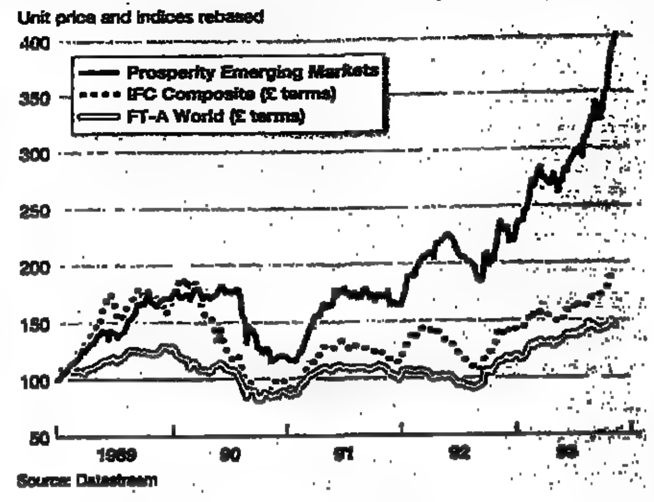
The fund can invest in up to 10 per cent of other people's collective investments and was near this limit when Bade took over its management. He has sold holdings in collective instruments in those countries which have a large market open to overseas investors, preferring to reserve such funds as a way of entering attractive but illiquid markets, such as Colombia, Peru and Vietnam.

The majority of the fund – 65 per cent – is invested in the Far East. Currently, Bade is most interested in China. "It is the largest and most important emerging market and is not expensive compared with other markets." He believes the Chinese culture of making money and entrepreneurship is more important than fears of the economy overheating. He thinks Hong Kong blue chip companies may now be overpriced, but he does not hold shares in them.

Although the fund has invested in some Chinese companies directly, such as Shanghai Petrochemicals and Shanghai Tyre and Rubber, the market is difficult to enter. Bade has instead gained access through stocks in nearby countries which are heavily exposed to developments in China.

Bade also favours India for its size and because its developed middle class has a strong demand for consumer goods.

**Prosperity Emerging Markets**




Source: Datastream

The fund has 3 per cent of its portfolio in the country and Bade says he would be happy to take this up to 5 per cent, but has been prevented from doing so because of difficulties of access. He is not tempted to invest directly in the local market and India funds are currently expensive.

Latin America accounts for just under 23 per cent of the fund with Mexico, the largest and most developed market, taking the lion's share. Nevertheless, Bade is underweight in the country, compared with the IFC index, the oldest emerging markets index, because of continued uncertainties over the North American Free Trade Area and falls in growth. His favourite country in the region is Argentina, for having controlled inflation and the prospect of 5 per cent growth next year. Inflation of roughly 35 per cent a month in Brazil has dissuaded him from investing there.

Within Europe, Turkey's high inflation has put Bade off, in spite of that country being one of the top performing emerging markets. He has sold two large holdings, leaving the fund with no exposure. Portugal accounts for most of the European holdings of the fund. Inflation fell from 15 per cent last year to 10 per cent and interest rates have also been coming down, which make Bade optimistic.

The top 10 holdings account for one quarter of the fund's investments. The largest holdings are a 3.7 per cent investment in United Engineers (Malaysia), a contractor, and a similar amount of the fund is invested in Mexico's Grupo Sidek. Bade has not had much time to travel, relying instead on contacts with companies passing through London and through brokers' research. He is also backed up by a team of two Far East experts and a Portuguese specialist.

If emerging markets are a fashion, is there not a danger that investors will eventually sell and go elsewhere? While this is a possibility, Bade believes that one interpretation of last week's turbulence in the world's leading stock markets is that investors are anxious about low growth in the developed markets. If so, the investor who wants growth will keep coming back to emerging markets.

Similarly, Bade thinks it unlikely "now that the genie has been let out of the bottle" that governments will be able to reverse the privatisation process under way in many emerging markets.

■ Charges. The initial charge is 6 per cent; annual management charge 1.25 per cent. The bid offer spread is about 6 per cent. There is a 1 percentage point discount off the initial charge until December 1. The minimum lump sum investment is £500 and there is a monthly savings scheme with a minimum of £30 a month. The fund does not qualify for a full Pep allowance.









# Paying IHT on gifts

AN ARTICLE in the *FT Guide for the Serious Investor* stated: "...If you have surplus income after tax and normal living expenditure, then this income can be given to your children without inheritance tax being payable if properly structured." Could you please answer these questions?

1. Can such gifts out of income be made to people who are not your children?

2. Do you have to furnish proof that, in such cases, you have not exceeded your income?

3) Do you need formal documents to make such gifts in cash? And what does "properly structured" mean?

■ 1. Income gifts can be made to people who are not your children.

2. The Inland Revenue might ask you to justify your claim that the payment is made out of income and, therefore, you need evidence to show this to be the case. Your tax return should provide the information to compute your income and your tax payable, and you should keep a note of annual spending in the year.

3. The gifts could be accompanied by a covering letter. It should be clear to the recipient that this is not just a "one off" capital gift but that you intend to make the payments for the foreseeable future.

*This reply was provided by Barry Stillerman of accountant Stoy Hayward.*

# Q&A

BRIEFCASE

*No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.*

## Setting up a trust

AS A HOBBY, I carry out the book-keeping duties for the limited company and partnership owned by my son and a colleague.

I would like to set up a trust fund, under my own control, for my young grandchildren and to place approximately £100 a month in the fund.

This would be paid from my son's business interests in recognition of my clerical support.

I might also wish to place funds of my own into the trust from time to time.

I would like the trust source income to be free of income tax liability and, likewise, any income derived from the trust investments. How can I set up a trust to cover these requirements?

■ Once the money is in the trust, it could be possible to ensure that tax is mitigated by investing in assets which are likely to produce capital gains rather than income.

The capital gains may be covered by the trust's CGT exemption.

Alternatively, you could pass the money directly to your grandchildren so that they could place the money in their own names and enjoy the income, free of tax, to the extent that it is covered by their available personal allowances.

There is a difficulty in arranging for the income to be received tax-free. Your son's partnership presumably obtains an income tax deduction for the clerical fees paid to you and I would expect your receipt of such income to be subject to income tax.

*– Barry Stillerman*

# Golden future for base metals

JULIAN Baring, manager of one of the best-performing gold funds, is broadening his horizons to take in copper, aluminium, zinc and other metals as well as coal, iron ore, diamonds and the like. He has persuaded his bosses at Mercury Asset Management to set up the Mercury World Mining trust, which is to raise a minimum of £50m.

According to Baring, base metals prices are today in a similar position to the gold price a year ago – that is, down in the depths but ready to bounce back in a few months. Consequently, he says it is reasonable to assume that the new trust can make an 80 to 100 per cent return on its money over the next five years.

Base metal prices may take time to recover and he intends that MWMT initially should be biased more heavily towards gold shares than those of companies producing other commodities. "Gold shares are likely to behave better earlier and base metals shares should behave better later," he says.

One-quarter of the fund will be available to private investors when the public offer, sponsored by S.G. Warburg Securieties and Cazenove & Co., is made on November 23. The trust is offering ordinary shares at 100p each and warrants on a one-for-five basis.

The initial net asset value will be 97p a share, indicating a 3 per cent "joining fee." The minimum investment will be £1,000 and the annual management charge will be 1.25 per cent.

In spite of the diversity of the mining industry, MWMT's policy will be to have at least half its investments by value in shares that qualify for personal equity plans. This means investors will be able to put up to a quarter (£1,500 at present) of each tax year's subscription limit in MWMT shares for inclusion in a general Pep. Warrants will be traded separately and may not be transferred into a Pep.

Baring's view of the metals business is shared by other analysts including Euan Worthington, head of the Warburg mining team. In his recent International Mining Outlook, Worthington suggested that many metal prices were "now at not only cyclical lows but at the lowest level ever in real terms."

He cautioned, however, about buying the shares of producers just yet because of their "stalwart resistance to cutting output, which means we may not have seen the darkest hour for some metal prices in the current cycle."

*Kenneth Gooding*

FINANCE AND THE FAMILY

# Tax returns by telephone

***Andrew Jack** investigates a new service that could be the shape of things to come*

IT MIGHT be on a very modest scale so far, but the service advertised in a bright yellow leaflet circulating last week heralded what could well be the shape of things to come for taxpayers.

As the Inland Revenue increasingly shifts the onus on companies and individuals to assess their own tax, so a new market is likely to open up in cheap advisory services.

At the start of this month, Direct Line Tax Service began to operate a telephone tax service, with calls charged at local rates around the country. Its co-ordinator says that if demand goes as planned, he plans to open a series of tax shops in high streets, starting with one in London next spring.

Similar services are offered already by H.& R. Block in the United States, and in Australia.

The initiative has been spurred by the move towards self-assessment of tax. From 1996, individual taxpayers will be expected to calculate their liability and either send in a cheque or claim a refund. A similar "pay and file" system has just been put in place for companies.

This puts an increasing burden on taxpayers, although it is being accompanied by considerable efforts to improve communication and clarity in Revenue forms and information leaflets.

In spite of the ambitious nation-wide aims, Direct Line Tax Service is based in Fryer & Co., a small accountancy practice at Luton.

It has no connection with Direct Line, the telephone insurance service owned by


the Royal Bank of Scotland.

Ganesh Aiyer, a partner with the firm, says his service has just four staff answering the 'phones so far but plans to expand up to 20. He believes they can handle about 200 returns a month each, with an average of 30 minutes for each call. Each conversation leads to a computer-generated tax return, which the firm will send to the customer or directly to the Revenue.

His ultimate target would be to deal with the affairs of 200,000 taxpayers. So far, the service has processed a little over 100 tax returns.

Aiyer stresses: "We are not selling peanuts, we are selling professional services." But others raise questions about the need – although perhaps not the demand – for his service.

Taxpayers with complex requirements cannot be handled by it and those with simpler demands ought to be able to do their own returns. Indeed, even if using the new service, they will still have to ferret out the necessary pay slips and documents.

Nonetheless, several tax practitioners say they have been expecting developments of this kind to begin spreading in the UK alongside self-assessment. As one put it: "It is amazing how extraordinarily intelligent people seem to have difficulty with their tax returns.

"This is purely a processing exercise. It is not particularly helpful. I don't believe it is a threat to the tax profession."

Aiyer replies: "We are not offering counselling or consulting. Not everybody needs professional advice.

"But a lot of people, by sheer inertia, will be inclined to rely on someone else to do their returns. Some do not feel they want to be doing their own thing when, for a small price, someone else can."

# Cut-price mortgage launched

***Damien Reece** looks at a novel scheme by broker John Charcol*

A VARIABLE rate mortgage which undercuts the standard building society rate of 7.99 per cent by a full 1 percentage point has been launched by broker John Charcol.

The product's competitiveness stems from its link to the London InterBank Offer Rate, known as Libor. Normal building society mortgage rates are set with reference to the rates paid to savers.

Libor is the rate at which commercial banks will lend to each other over various periods and is also an indicator of the wholesale money market's expectations for future base rate movements. Three month Libor is currently 5.66 per cent compared with base rates of 6 per cent and the standard building society mortgage rate of 7.99 per cent.

John Charcol's offer of a mortgage set at Libor plus 1 per cent looks extremely attractive at present rates. But taking out a Libor-linked mortgage could prove costly, as the chart shows.

Until the middle of 1988, the City was anticipating base rate cuts and Libor was leading base rates down. But once the wholesale money markets sensed a turn in the interest rate cycle, Libor shot up and continued to rise at a premium to base rates and building society rates.

As a result, when base rates reached 15 per cent, borrowers with a Libor-linked mortgage were paying over 16 per cent, compared with building society borrowers on 15.4 per cent.

The new John Charcol offer allows borrowers to switch to a standard variable rate, a fixed rate, or a rate linked to the average of the top 10 building society rates should Libor begin to rise out of line with other mortgage rates. Borrowers can opt for these options without any redemption penalties and with only one month's notice required.

The Libor-linked rate of interest on the loan is recalculated every three months and adjusted if rates have changed. The initial rate has been set at 6.99 per cent.

The company is also offering a version which caps the Libor-linked loan at 7.99 per cent for 36 months from completion. This means borrowers will benefit from any further fall in Libor but would be protected from any increase in the rate above 7.99 per cent. This option is slightly more expensive – at 1.25 per cent above Libor – and carries redemption penalties but offers protection against a repeat of the 1990 experience.

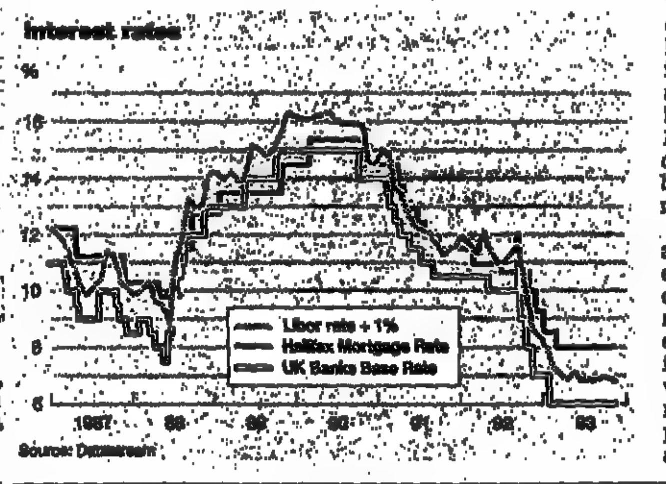
The lender charges a £295 arrangement fee. John Charcol earns its money either from commission (depending on the method of repayment, eg endowment or Pep, used), or from a fee, depending on individual circumstances. This reduces the cost saving compared with a conventional variable rate. There are no insurance policies tied to the mortgage.

A big advantage for Libor-linked borrowers is that any future cut in interest rates will be passed on in full whereas it is unlikely that building societies will be able to cut their mortgage rates by much because of their need to maintain savings rates.

It is reasonable to expect that, if base rates fell to 5 per cent, the average building society mortgage rate would fall only 0.5 per cent to 7.49 per cent. John Charcol's Libor-linked loan would enjoy the full benefit of the cut and would fall to 5.909 per cent.

In 1986, Citibank launched the first Libor-linked mortgage in the UK and successfully lent £50m but has since been unable to generate much interest in spite of a relaunch in March of this year. Stephen Balme, marketing director of Citibank Mortgage, said that the company may well consider another relaunch now that wholesale money market rates are so low. "There is always the problem that the consumer doesn't fully understand Libor," said Balme.

**Interest rates**




Source: Datastream

**HIGHEST RATES FOR YOUR MONEY**

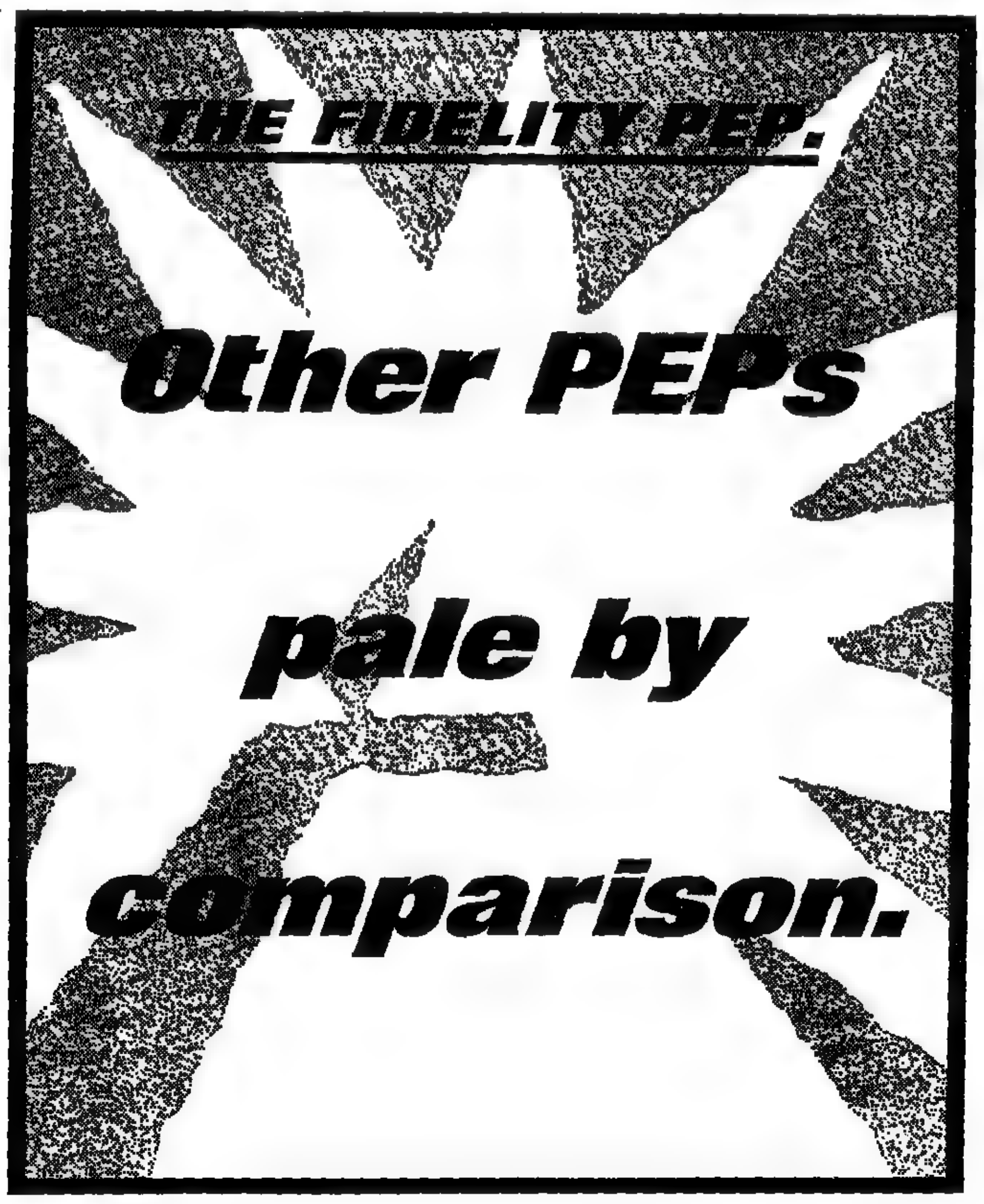
| | Account | Telephone | Notice/ term | Minimum deposit | Rate % | Int. paid |
|---|---|---|---|---|---|---|
| **INSTANT ACCESS A/cs** | | | | | | |
| Teachers BS | Bullion Share | 0800 378669 | Instant | £500 | 6.40% | ½Yly |
| Buckinghamshire BS | Chiltern Gold | 0494 873064 | Postal | £2,500 | 6.55% | ½Yly |
| Birmingham Midshires BS | First Class | 0902 645700 | Postal | £10,000 | 6.80% | Yly |
| Cheltenham & Gloucester BS | Instant 7 | 0800 272383 | Postal | £25,000 | 7.10%A | Yly |
| **NOTICE A/cs and BONDS** | | | | | | |
| City & Metropolitan BS | Super 60 | 081 464 0814 | 60 Day | £500 | 6.50% | Yly |
| | | | | £10,000 | 7.35% | Yly |
| Scarborough BS | Scarb'gh Ninety 3 | 0723 368155 | 90 Day | £25,000 | 7.65% | Yly |
| West Bromwich BS | 180 Day | 021 525 7070 | 180 Day | £50,000 | 8.10% | Yly |
| **MONTHLY INTEREST** | | | | | | |
| Birmingham Midshires BS | First Class | 0902 645700 | Postal | £500 | 5.60% | Mly |
| Allied Trust Bank | 4 Month Notice | 071 626 0879 | 4 Month | £2,001 | 6.85% | Mly |
| Woolwich BS | Investment Bond | 0800 400900 | 90 Day | £25,000 | 7.25% | Mly |
| West Bromwich BS | 180 Day | 021 525 7070 | 180 Day | £50,000 | 7.81% | Mly |
| **TESSAs (Tax Free)** | | | | | | |
| Hinckley & Rugby BS | | 0455 251234 | 5 Year | £25 | 8.05% | Yly |
| Dunfermline BS | | 0383 721621 | 5 Year | £3,000 | 7.90% | Yly |
| Dudley BS | | 0384 231414 | 5 Year | £10 | 7.87% | Yly |
| Progressive BS | | 0232 244926 | 5 Year | £1 | 7.75% | Yly |
| **HIGH INTEREST CHEQUE A/cs (Gross)** | | | | | | |
| Caledonian Bank | HICA | 031 556 8235 | Instant | £1 | 5.50% | Yly |
| Chelsea BS | Classic Postal | 0800 717515 | Instant | £2,500 | 6.00% | Yly |
| | | | | £25,000 | 6.60% | Yly |
| Northern Rock | Current | 0800 591500 | Instant | £50,000 | 6.69% | Mly |
| **OFFSHORE ACCOUNTS (Gross)** | | | | | | |
| Woolwich Guernsey BS | International | 0481 715735 | Instant | £500 | 6.25% | Yly |
| Confederation Bank Jersey | Flexible Investmt | 0534 608060 | 60 Day | £10,000 | 6.75% | ½Yly |
| Derbyshire (IOM) Ltd | 90 Day Notice | 0624 663432 | 90 Day | £50,000 | 7.80% | Yly |
| Yorkshire Guernsey Ltd | Key Term | 0481 710150 | 31.8.94 | £5,000 | 6.70%E | Yly |
| **GUARANTEED INCOME BONDS (Net)** | | | | | | |
| Alico FN | | 081 680 7153 | 1 Year | £50,000 | 4.45% | Yly |
| Consolidated Life FN | | 081 940 8343 | 2 Year | £2,000 | 4.75% | Yly |
| Laurentian Life FN | | 0452 371371 | 3 Year | £50,000 | 5.20% | Yly |
| Financial Assurance FN | | 081 367 6000 | 4 Year | £50,000 | 5.65% | Yly |
| Liberty Life FN | | 081 440 8210 | 5 Year | £5,000 | 6.00% | Yly |
| **NATIONAL SAVINGS A/Cs & BONDS (Gross)** | | | | | | |
| | Investment A/C | | 1 Month | £20 | 6.25%G | Yly |
| | Income Bonds | | 3 Month | £2,000 | 7.00%H | Mly |
| | Capital Bonds G | | 5 Year | £100 | 7.75%F | OM |
| | First Option Bond | | 12 Month | £1,000 | 6.34%I | Yly |
| **NAT SAVINGS CERTIFICATES (Tax Free)** | | | | | | |
| | 40th Issue | | 5 Year | £100 | 5.75%F | OM |
| | 6th Index Linked | | 5 Year | £100 | 3.25% +Infln | OM |
| | Childrens Bond E | | 5 Year | £25 | 7.85%F | OM |

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N= Net Rate. A = Access only on 7 day loss of interest. E = Rate guaranteed until 1.12.93. G = 6.5 per cent on balances of £25,000 and over. H = 7.25 per cent for balances of £25,000 and over. I = 6.74 per cent on balances of £20,000 and over. Source: MONEYFACTS, The Monthly Guide to Investment and Mortgage Rates, Laundry Loke, North Walsham, Norfolk, NR28 0BD. Readers can obtain a complimentary copy by phoning 0692 500677.

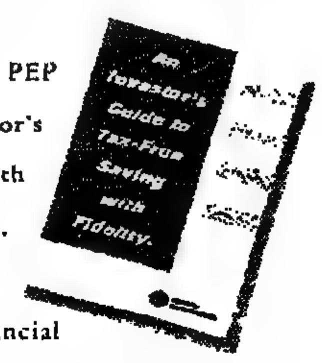










# The good life yields a heady, hard-won crop

*Clive Fewins meets a couple who reacted to large debts by going back to the land*

CIDER maker Stephen Gillman sometimes thinks he can still smell the aroma that wafted from 30 empty oak hogsheads delivered to his Somerset home five years ago from a whisky distillery in Scotland.

"My first year's cider vintage had a delicious whiskyish background to it," he said. "Some cider makers regularly buy discarded whisky hogsheads to give some brews a distinct flavour."

At £750 including transport, Stephen thought the casks good value – particularly as the only other equipment he had to buy to continue his fledgling business was a £1,200 hydraulic press.

The vessels were ideal for the first brew, which was 1,500 gallons – the largest permitted without incurring excise duty. Whether it was due to the hint of whisky or not, the experiment proved a success.

This was fortunate. Stephen and his wife Jill were more than £100,000 in debt to the bank and building society, having incurred debts buying out her brother and sister-in-law's half of the holiday flat letting business they had run in nearby Minehead. They decided to sell the flats and invest everything in eight barren acres and a few delapidated barns in the hamlet of Torre, seven miles away.

The Gillmans were yearning for a pleasant style of life. They wanted to escape from the cramped urban flat they had occupied with their two small daughters since Stephen, a master mariner, had opted for dry land. Stephen, who was brought up on a fruit farm in Worcestershire wanted to do something more adventurous than running the flats and cultivating pick-your-own strawberries on an acre of land he rented.

They have achieved a good quality of life – but at a cost. Torre fruit farm is in an idyllic spot, at the foot of the Brendon Hills beside a lovely stream a mile from 800-year-old Cleeve Abbey.

Having bought the eight acres, the Gillmans increased their debt by converting the first of the two dilapidated barns into a family home. They did this in five months. Then they began the £80,000 conversion of the house they now live in, which also has two holiday flats.

"While the building work was going on we lived in a caravan on the spot, but soon realised that in order to make the whole enterprise work we were going to have to sell the first barn soon after it was completed, otherwise we feared the bank would make us sell the whole site to reduce the debt," Stephen said.

Then disaster struck. Interest rates rose from 7.5 to 14 per cent. To make matters worse the Gillmans were paying 3 percentage points above base. It took two years to sell the cottage, borrowings rose to £200,000 and have remained at more than £100,000.

The Gillmans hand-planted 20,000 strawberry plants. When these all failed they started again. There followed two good seasons, in which the Gillmans made money, but by 1989 they realised that they were chasing their tails.

They knew that they had to make more money or sell up. Stephen had made wine and cider on the kitchen table for several years, and when the Gillmans did their sums they realised that cider was potentially more profitable than the pick-your-own business.

"Any number of customers coming for strawberries were asking us where they could get locally produced real scrumpy. We then realised that in west Somerset there was no small producer of naturally conditioned farmhouse cider made entirely from local cider apples," Stephen said.

"With my background in fruit growing and the realisation that we had access to a dozen or so old orchards round here with a mix of the right varieties of apples, we decided to brew cider."

So it was back to the land, but this time picking, collecting and transporting 11 tons of apples to make the first brew.

By the summer of 1990 all 1,500 gallons had been sold, 400 bush trees containing all the main varieties of cider apple planted and the strawberry fields let to a neighbour to cultivate and run.

For September 1990, the Gillmans increased the brew to 10,000 gallons. "It seems an awful lot more, but we realised the road to success lay in increasing volume. The cost was not that much greater. We had to buy 22 storage vessels at £35 each but apart from that there was little further investment needed," Stephen said.

Further, the holiday flats were beginning to bring in a reasonable sum and they had found that producing non-alcoholic apple juice was a profitable sideline. There was no need to employ a large staff – casual labour was readily available to help with pressing and at other busy times.

There was a 60 per cent profit margin on the first brew. Stephen changed banks, and consequently, bank managers and managed to reduce his borrowings a little.

The main task for the 1990 vintage was to sell it all. The Gillmans took on a sales agent, Sally Simmons, on a commission-only basis. By the summer of 1991, Torre Traditional cider was selling in shops and off-licences all over Devon and Somerset and some of the bigger competitors were beginning to take notice.

"When we phoned some of the bigger firms for marketing advice we got very little help, so we then realised we were making inroads," Jill said.

The Gillmans have received the endorsement of the Campaign for Real Ale, which sells 1,000 gallons a year.

Annual production is 20,000 gallons. "It is still a drop in the ocean compared to the big boys, but at last the borrowing is coming down slowly and if we go up to 40,000 gallons annually we should soon be able to pay off our debts and make a good profit," Stephen said.

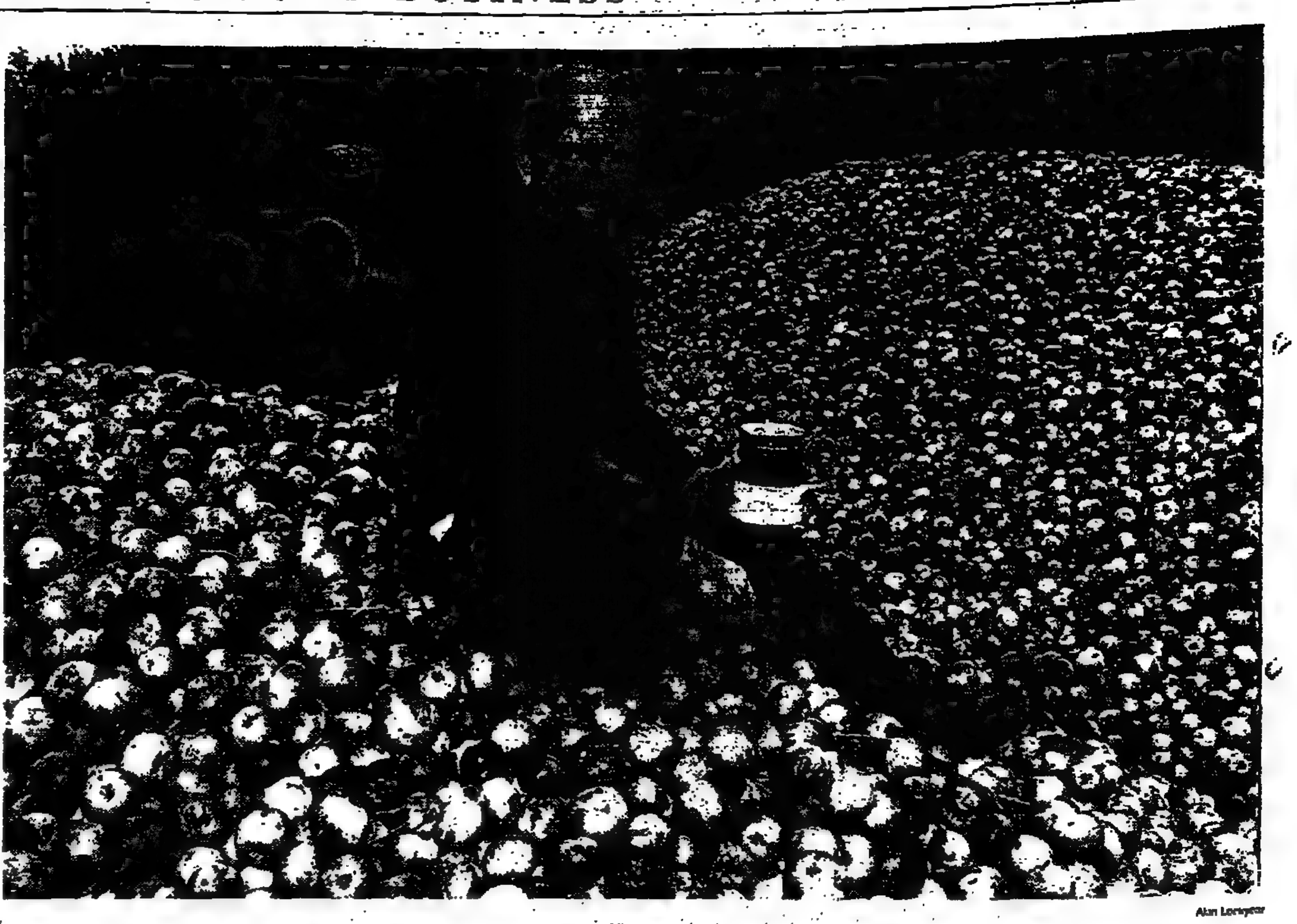
Profits were a gross 56 per cent of turnover in 1989-90, they rose to a £25,000 on a turnover of £62,000 the next year, and £30,800 on a turnover of £80,000 in 1992-3.

In spite of the aromatic delights of rising early to start pressing in the brewhouse at this time of year it is still hard work. The couple reckon they work 80-hour weeks, 52 weeks of the year. Last autumn they had their first holiday for five years – a week in a friend's cottage in Normandy.

Stephen is away selling cider at 40 shows this year. The final one is the London Christmas Festival at Earls Court in early December. "Sometimes I think all this is very hard on the children," he said. "I wouldn't like to have to work as hard as this for the rest of my life. But we all love it here at Torre and I enjoy cider making. So we shall just have to slog on like this until most of the loan is paid off and we feel the business is financially secure."

■ *Torre Traditional farmhouse Cider, Torre fruit Farm, Washford, Watchet, Somerset TA23 0LA. Tel: 0984-40004.*

■ *In our article on Cocoon, Macdonald Originals, last week a computer error caused a 3 to be inserted between the £ sign and sterling amounts. The correct figures can be obtained by removing the leading numeral 3. The correct price for Cocoon's coats is £200. These are available from Cocoon, Macdonald Originals, Lomond Industrial Estate, Alexandria, Dumbartonshire G83 0TL. Tel: 0389-55511.*



Alan Lonsyear

Season of mellow fruitfulness: Stephen Gillman sits on a pile of this autumn's cider apples

# Why BBC should be privatised

■ From page I

nationalised company? Small wonder that Michael Heseltine, the Trade Secretary, has started recently to harumph from his department about broadcasting matters. He will have noted the Booz Allen study for ITV, which forecast that Britain's broadcasting trade account will move from a surplus of £24m in 1985 and a deficit of £100m in 1991 to a £600m deficit in 2000.

From a traditional BBC perspective, this is a more or less ideal background for a licence fee review; the government is muddled, the competition on side; indeed, only last week, the government conceded an index-linked fee for the 1994-95 period.

As John Birt, the corporation's director-general, puts it in the latest annual report: "The case is a simple one. In the face of increasing competition from commercial broadcasters, the BBC should use its public funding to provide programmes that would be at risk in a purely commercial market: authoritative news and information; ambitious and original entertainment; and programmes to meet the complex learning needs of a modern society." The price demanded is, in effect, indefinite indexation of the licence fee.

What has confused most people is that almost all public debate about the BBC in recent months has painted Birt as a dangerous radical, bent upon threatening all that is best in its traditions. Playwright Dennis Potter called him a "croak-voiced Dalek." Michael Grade, the boss of Channel 4, a "pseudo-Leninist."

Such comments, along with many more ferocious, have obscured the reality. Birt has changed the BBC's managerial style and its internal structures, but the ethos is unchanged: to defend the existing, publicly-funded broadcasting base and extend it judiciously when opportunity arises – for example, in the proposed Radio 5 news and sports channel, World Service Television and UK Gold. John Reith's body lies a'mouldering in the grave but his soul goes marching on. Reith, remember, opposed the creation of commercial television.

In terms of the present rules of the game, Birt's strategy cannot be faulted. But it fails to address a number of long-standing problems, from the BBC's excessive reliance upon the goodwill of the government of the day to the enormously difficult problems which arise in running a nationalised company of 20,000 people which requires, for creative reasons, a honeycomb structure but, for reasons of financial and political accountability, strong lines of central control.

The biggest blind spot in the Birt plan, however, is that it proposes a renewed royal charter (to run from 1996 until at least 2006) during a time when the broadcasting landscape will be subject to further dramatic change. The BBC is certain to see its market share plunge – its own forecasts predict that its share of the television audience will drop from just under half to 30 per cent inside a decade.

Although, at £83 a year, the licence fee does not look expensive today, it will come to seem so when up-rated steadily in line with inflation. Thus, it is likely the fee will in practice be eroded further in real terms, forcing the corporation to seek a new deal on funding – in, say, 2004 – in a much weakened state. Therein lies the case for requiring the BBC to kick the licence fee habit now, while it remains strong, so freeing it to compete and to punch its weight in the international marketplace.

*'The BBC should kick the licence fee habit now while it remains strong'*

The key is not to imagine that an instant transition can be made from public funding to another single source of revenue; rather, it is to devise a mixed funding base which can be shaped during the next decade as conditions change. That could mean some advertising (perhaps on BBC1, Radio 1 and Radio 2); planning a move to subscription (perhaps for BBC2) as satellite and cable extend the pay-television infrastructure; and some continued public funding, both to support wholly non-commercial activities and to ease a smooth transition towards commercial revenues.

Arrangements of this kind would give the BBC a new freedom of action because it would make possible a change in ownership, bringing two desirable results. One would be to distance it from governmental influence and the second to place it within the scope of a single broadcasting regulator, an Office of Broadcasting, which would, in turn, work closely with the telecommunications regulator, Oftel.

Here at last would be a framework for a UK broadcasting industry able to take part in the multi-media revolution; it would create conditions in which the BBC and the ITV companies could compete, develop and expand.

Privatising the BBC could be achieved in much the same way as British Telecom, British Gas or British Airways: through a stock market flotation, a process which would bring proven advantages in terms of access to capital, freedom to manage, efficiency and innovation; compare BA today with Air France. With the BBC, though, there should be something more imaginative.

This could involve devising a form of ownership which would not pass the corporation into the hands of institutional shareholders but would place significant ownership stakes in the hands of viewers and listeners, employees and the BBC's broadcasting industry partners. Government could also retain a stake, or a golden share, if that were judged desirable.

At present, the BBC is funded by the public but, in practice, expression of the public will is channelled exclusively through government ministers, who make all key decisions about the corporation's future. Privatised as a stakeholder partnership - relevant UK models include the John Lewis Partnership and NFC, the road haulage company, although there are many more examples in the US - the public's sense of owning the BBC would be enhanced, not diminished.

It is true that to liberate the BBC – and, indeed, ITV – from a monopolistic pasture would be risky. By exposing the BBC directly to competition for audiences and funds, it might lose out; it might be shown not to be good enough. But there is no reason to believe this would happen, since the BBC is rich in talent and enterprise.

The more likely outcome is that the new BBC would succeed. It would develop new services on satellite and cable - perhaps an arts channel, a children's channel, a news channel or a music channel. It could run an events channel, offering full coverage of major national occasions such as the Wimbledon tennis, cricket Test matches and the Proms. As television goes inter-active, the BBC would be an appropriate vehicle for government to fund new developments, such as an electronic jobs market.

With a structure, constitution and funding base appropriate for the hurly-burly of the new broadcasting age, the new BBC would have a real chance of moving into the next century as a growing, dynamic organisation. The alternative is bleak: for the BBC, a long morale-sapping march on an indefinitely descending path; for the broadcasting industry, yet another missed opportunity.

■ *This is an edited extract from Sharper Vision: the BBC and the communications revolution. From Demos, 9 Bridewell Place, London EC4V 6AP. 071-353-4479. Price £5.95. The author is deputy editor of the FT and a former director of news and current affairs at the BBC.*

End of a dream: a member of the White Brotherhood cult is arrested by police

# The suicide cult of Kiev

***Jill Barshay** investigates the panic caused in Ukraine by the White Brotherhood*

THE CAPTURE of the mysterious leaders of the White Brotherhood cult this week may have ended one of the more bizarre episodes in Ukraine's post-Soviet history.

Ukraine has hyperinflation, hazardous nuclear weapons and energy shortages, but over the past two weeks the authorities have been preoccupied with reports of thousands of young cult followers flocking to Kiev to join their "living god on this earth" in a mass suicide. Fearing the worst and inexperienced in dealing with fringe religious groups, police detained more than 800 cult members while the authorities launched an aggressive propaganda campaign.

The White Brotherhood, which claims 150,000 members from all over the former Soviet Union, chose the St Sophia Cathedral Square in Kiev as its gathering place to await the end of the world and to witness the crucifixion and resurrection of its leader, Maria Devi Khristos, a self-proclaimed messiah.

In city streets as far away as Moscow there are posters of the Maria Devi Khristos – whose real name is Maria Tsvygun – a young dark-eyed woman clad in a white priestly robe with gold trim and turban. She comes from eastern Ukraine and was formerly a member Komsomol, the communist youth league, and a journalist.

Last week the cult said the apocalypse and their mass suicide would take place on November 24. But later they re-scheduled doomsday to November 14 and modified their mass suicide plan to a re-enactment of the Christ story, in which their leader is the next coming of Jesus Christ and President Leonid Kravchuk is Pontius Pilate.

Maria Devi Khristos and the cult's reputed mastermind, Yuri Krivonogov, came out of hiding last Wednesday, when police arrested them in the 11th century St Sophia Cathedral, the oldest house of worship in the Slavic Orthodox faiths. Even from jail, the cult leaders insist the end of the world is imminent and say they have fulfilled their promise to their followers by reaching the cathedral. Their followers keep coming to Kiev.

Ukrainian authorities are baffled. Their instinctive reaction has been to lock the cult followers in jails, throw them into psychiatric wards or deport them. Dozens of police patrol St Sophia Square. But it has been calm since the arrests with only reporters standing by and parents of runaway children hoping to spot their loved ones.

Wednesday's arrests took place after cult members, disguised as tourists, gained entry to the church and started chanting. Museum attendants called the police. As policemen tried to seize the cult members, a scuffle broke out. One policeman suffered a fractured skull and about $1,600 in damage was caused to the cathedral.

Almost 400 of the detained cult members are on hunger strike. Rather than release the prisoners, the Ministry of Internal Affairs has decided to wait until "they fall unconscious from hunger" so that they can be "force-fed."

The authorities' anti-White Brotherhood propaganda campaign, has stirred up hysteria among Ukraine's 52m people. Radio broadcasts warn parents to keep their children off the streets and out of the cult's hypnotic grasp.

State-controlled television airs Interior Ministry reports, showing tearful parents who have lost their loved ones to the cult and angry citizens who urge that the Brotherhood be "liquidated." The Brotherhood is accused of inciting fear, hatred and suicide.

Some Kiev schools have shortened their day to make sure students get home before sundown. A rock station called upon those with extra-sensory powers to help cult members "rejoin society." The Ukrainian Orthodox Church Filaret, one of the church's highest officials, has denounced the White Brotherhood as the "anti-Christ."

The propaganda campaign has drawn relatives of runaways and missing people from all over Ukraine, Russia and Byelorussia to prisons in Ukraine to find lost children and spouses.

Maria Devi Khristos, the cult's self-styled messiah

Vera Sobuleva and her young daughter Anya were among about 30 relatives knocking on the doors of the Kiev Detention Centre prison last week. Her 17 year old son, Kolya, disappeared a month ago on a trip from his polytechnical institute to his home Lipetsk.

Mrs Sobuleva did not know for certain if her son, with whom she has had a "difficult relationship", was in Kiev but she immediately packed her bags and made the three-day trip after watching television reports. "On television they said that the White Brotherhood is taking, kidnapping children. They said to come to the detention centre to take our children back," she said.

Mrs Sobuleva did not find Kolya in the prison, but other parents have found their children.

In the prison, the cult members are calm and spend most of their time chanting Maria Devi Khristos' name. Most refuse to reveal their names or ages or talk about their lives before they joined the cult, explaining: "All this is unimportant and meaningless."

"We are honest before god," said one young bearded man, "we were singing on the streets and they've illegally arrested us. All we want is to meet our Maria Devi Khristos. She's supposed to reveal herself."

A young woman, clutching a pink rose and crocheted white shawl over her face, explained how they were "carted off St Sophia's Square in trucks like animals. We are people first of all and we have the right to our faith."

When asked about their faith, they referred reporters to the literature. And literature, there is aplenty. Already the Interior Ministry has confiscated over four tons of pamphlets and posters in apartments around Kiev.

In its "Godly-Cosmic-Programme," the White Brotherhood offers love and salvation for those who have complete faith in Marina Devi Khristos and condemns those who do not to hell.

Tamara Yustinovskaya, whose son joined the brotherhood, has formed a parents' support group called Relief. Relief has taken issue with the authorities' tactics and argues that the children "need help, not punishment." She said the children are "zombie-like robots... programmed for death."

But the Soviet-style psychiatric regime in Ukraine is ill-prepared to deal with the cult. At a round table, sponsored by the Internal Ministry, one psychiatrist asked, "What can we do? They won't take food or talk to us."

Minister for a Day

# Soul before profits

***Sir Peter Hall** takes over the culture portfolio*

MY ONLY day as Minister of Culture would be brief and decisive. I would have to leave sorting out the mess of our broadcasting system (now that its traditions of public service have been so weakened) until a second and more extensive term. I would concentrate on general policy and the performing arts. And since I would have to do only three things, I should be home by tea-time, if not for lunch.

I would not have taken the job, even for a day, unless new and substantial funds were available. The money we spend on the arts is still pathetically small compared with our European partners. So, first, I would double the subvention to the Arts Council.

Even so, the amount is peanuts: an insignificant footnote in the defence or social services budgets. Yet, no action could make a more dramatic change to our society. Our quality of life would improve immediately and, with it, the educational potention of our young people. Our tourist industry would thrive and so would our international standing. Television and film would flourish because of the influx of new talents.

I would then turn to the administration of these new funds. I would not wish to control them myself or regard myself, because I was minister, as the arbiter of taste for the arts. I would not philosophise. I would leave policy to the artists. The further the arts are kept away from politics and politicians, the better.

I would, therefore, reform the Arts Council and reinstate the power and independence it had 20 years ago. It was an institution that worked wonderfully, born as it was of the idealism and hopes of the immediate post-war years. The council effectively solved the problem of state interference and made a minister of culture, in the European mode, superfluous. So, I would happily do myself out of a job.

No society, and certainly no democracy, is healthy without many independent artists criticising and challenging it. Governments, of whatever stripe, are uncomfortable with artists and would prefer them safely dead and elevated to the nostalgic status of the classic. Politicians never like critics of the present, especially if they are artists.

This insecurity can reach extreme forms: the censor always proclaims a sick society. Yet, governments know that we treasure the lessons of the artist more than the lessons of their rulers. We remember Mozart rather than the name of the emperor who failed to support him.

The council's arms-length principle arose from an understanding that governments must never proscribe what the artist says. The piper must be paid, but the tune must be emphatically his own. Otherwise, he is useless to us.

The council did not try to plan art into existence - always a barren and schematic procedure. The policy was to watch out for creativity wherever it occurred and then encourage it with a mite of subsidy. The process was organic.

Artists also decided the policy of the council. Major painters, composers and writers served on it. I remember the days when Henry Moore, Michael Tippett and Peggy Ashcroft were deciding the future of the arts, helped (and not dictated to) by the officers of the council. Now, the artists have gone and the bureaucrats rule.

The council has declined slowly. It no longer fights for the arts and has become an instrument of government. Its policy over the past decade has been to reduce subsidy even if it closed down creativity. This is absurd.

Ashley Ashwood

Theatre director Sir Peter Hall ... home by tea-time

The reasons why the arts need subsidy, and why society needs the arts desperately, have been forgotten in a welter of monetarist dogma. It took nearly 40 years to create a support structure which recognised that public funding should be the primary support for many arts, and not the box office income. For a brief period, this made London the international capital of music, and the British theatre the most prolific producer of new plays - plays, moreover, that went round the world. All this improved directly Britain's balance of payments and the potency of its tourist trade.

British arts are one of the country's few success stories of the post-war years. We have forgotten that their renaissance was produced by subsidy; and that their decline is parallelled by a succession of government manoeuvres using private sponsorship (no bad thing in itself: after all, we live in a mixed economy ) as a covert means of reducing central subsidy.

Subsidy also kept admission prices low, so that the arts were available to anyone who wanted them. Years of the application of market forces have destroyed this principle. Subsidised art is now priced as high as the market will bear, thus removing its social point. I find something obscene in Covent Garden charging £120 for a stall seat while it receives a subsidy of £18m a year. Your taxes and mine are not going to people who cannot afford the arts, but to the very rich.

So, my third action as minister would help the young. I would construct my budget so that everybody under 25 could have free admission by right to any of the subsidised arts. Nothing would have a greater effect on the taste of the future; or on its wisdom and maturity. I have found the arts a more trustworthy guide to the problems of life than the dogma of any organised religion. Art asks the right questions; it does not give easy answers.

As a democrat, I distrust paternalism and believe in freedom of choice. But we must be given the best to choose from, not the worst. That is why the arts are important. I fear, though, that the next few years will see the dismantling of the subsidised arts. This process will be seen as a logical adjunct to the end of the welfare state. At the same time, we shall be colonised by hours and hours of cheap American television. Is this what we want?

There would be no point in being Minister of Culture unless I was part of a government which believed that the soul of the nation – its heritage, its language, and its contemporary creativity – was as important as its productivity.

As They Say in Europe / James Morgan

# If only Maastricht weren't Dutch

JUST AS the European Union comes into being, everyone is having another look at it. There is the kind of reassessment that follows a night on the town, the town in this case being Maastricht.

The mood, in spite of official denials, is "forget it and do what we can." But, in Britain, the press sustains an obbligato on the iniquitous ambitions of Brussels and its bureaucrats. The *Sunday Telegraph* is the most gifted specialist in this area: each week, columns of well-researched exposés nestle by others of polished sneers.

Suddenly, though, the shaky foundations of this erudite structure are revealed. A writer last week made much of the discovery of a geological age known as "maastrichtian." This intelligence was pressed into service as a lumbering recruit in the struggle that continues forever.

Then came a reference to the "infamous Belgian town." So, one is reminded that the corpus of British Euro-scepticism is founded on a knowledge of Maastricht the treaty but not of Maastricht the city; it knows so much of "Europe" and nothing of Europe.

The point of the treaty is that it could not have been written anywhere other than in Holland, and at no time other than when the EC laboured under the dual monarchy of Jacques Delors, president of the European Commission, and the Dutch – the rule of grand design and impenetrable pedantry.

In the Maastricht treaty, the hand of Holland's Prime Minister, Ruud Lubbers, works its magic in every arcane compromise, in each dreary derogation, and in the full stop turned into masterly semicolon.

Many in Britain will wonder if the confusion matters: Belgium, Holland – what's the difference? All the difference in the world. Holland owes its existence to the enterprise and vigour of the natives, Belgium to the enterprise and vigour of others, notably the British.

In Holland, the inhabitants sleep well and eat badly; in Belgium, it is the other way round. Belgium consists of two warring factions held together shakily by a bankrupt government, a state permanently about to disintegrate. Holland unites behind defiant dams and dykes. But try to build, or change, anything else and you will be in trouble.

Belgium is visited by everyone and known by none. Everybody knows Holland, but who goes there? Brussels has more foreign correspondents per square metre than any other Community capital, but Belgium remains the least-reported nation. It is also the country to which all good Dutchmen retire to dispose of their businesses. Today, the Dutch financial press caters to a narrow band of subscribers who live just inside Belgium.

*'Belgium is where Dutchmen retire to dispose of their businesses'*

The standard joke the country suffers is the demand to find six famous Belgians, a list which apparently begins and ends with the singer Jacques Brel. But, in fact, half the masters of the Dutch renaissance would have been Belgians had Belgium existed.

And Belgium has given us Tintin, the most popular boy in the world. His exploits are translated into all major languages but Tintin is Belgium itself, the figure one would never notice, anonymous and unconscious of his central role.

His universe changes shape depending on the location of the reader: Professor Calculus is known to every English-speaking child but he is Professor "Sunflower", Zonnebloem or Tournesol, to Dutch and French infants. Thompson and Thomson are English and French but, when German, become Schultz and Schultze, while the British dog Snowy is Milou or Strupi elsewhere.

Thus, in Belgium, if you land in Zeebrugge and make for Liège, you will never find it. You have to look for a sign to Luik; if it says Liege, you are there. Arrive from the east and only Lüttich will guide you. Belgium is what others make it, the product of everybody else's vision, a solipsistic dream.

To find the truth about a country, I read its papers; but these are no help in Belgium. In Wallonia, the nation is one thing; in Flanders, another. But, this week for once, *Le Soir* and the *Gazet van Antwerpen* were united by what always brings the country together - strikes. In *Le Soir*, one reads about France; in the *Gazet*, the news is from nowhere.

If only Maastricht *had* been a Belgian town. It would have had three names and 15 different meanings. Each of us could have settled on the one we found most pleasing and the treaty would be all things to all men, a rich tapestry of clear compromises, unconcealed by academic obfuscation.

Subsidiarity would be made flesh over plates of mussels and *frites*, washed down with endless bottles of Trappist ale. Breughel and Tintin would have given us a self-indulgent Europe, one that would work (but only just), and a happy ending. But, unfortunately for us and the treaty, Maastricht is Dutch.

■ *James Morgan is economics correspondent of the BBC World Service.*

# Fantasy Island in a sea of violence

***Michael Thompson-Noel visits a palace of opulence in South Africa***

FLY TO South Africa and you are aware, instantly and unmistakeably, that you have arrived in one of the world's most violent countries.

"Three killed, nine injured in botched robbery," said a headline in the Johannesburg *Star* the day I arrived.

The story described how seven gunmen had fumbled an attempt to rob a shopping centre. The same day, on the East Rand, three commuters had been killed and five wounded by a gunman. And in Inanda, near Durban, five people waiting for a bus had been shot dead.

Not surprisingly, the people who are trying to sell South African tourism are more than a little schizophrenic. An example is John Smith, senior manager in Europe for SAA, the South African airline.

He says that South Africa ought to be the perfect holiday destination. Yet the legacy of apartheid – "the one Afrikaans word which ended up in the vocabulary of virtually every language in the world" – has meant that the natural development of its tourism has been severely restricted.

At present South Africa receives about 350,000 European tourists a year – a figure, says Hill, which would be closer to 1.35m if development of its tourism had not been so inhibited.

Inhibited or not, South African tourism is far more advanced than you might expect. And some of what it has to offer is eerily futuristic, providing a glimpse of the future South Africa may enjoy if only it can get there.

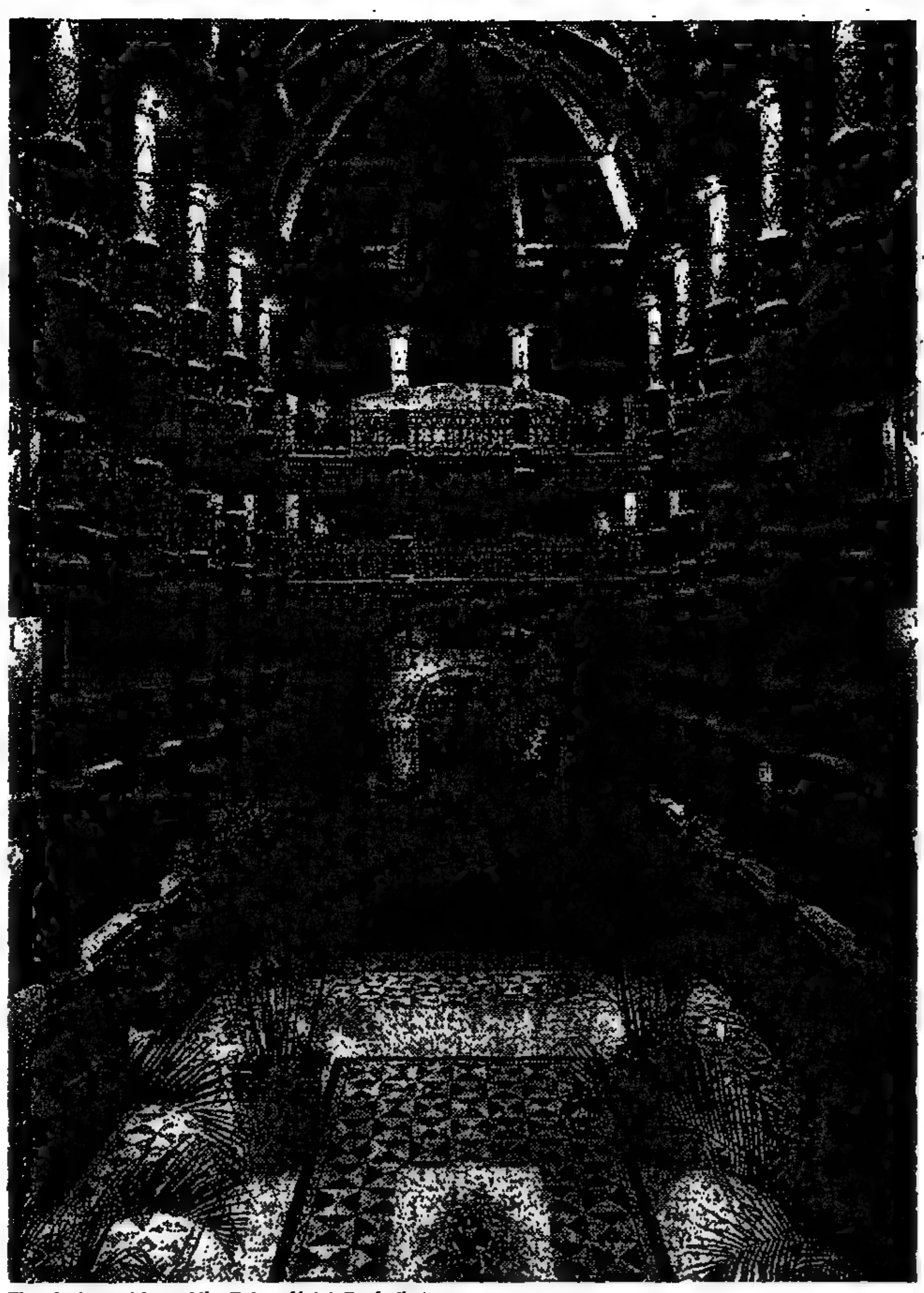
I was not heading for Johannesburg. I am not *completely* stupid. My destination was the homeland of Bophuthatswana, two-and-a-half hours by car from Johannesburg, where I wanted to see the Palace Hotel and Lost City which hotelier Sol Kerzner, who has done much to transform southern Africa's tourism, has built next to the established resort complex of Sun City.

Visionary is not too grand a word for Kerzner, 58, given the panache and energy which mark his career. The son of Russian immigrants to South Africa, he was born in a poor Johannesburg suburb. As a child he helped in the family café. He graduated as a chartered accountant, then became a hotelier, founding southern Africa's two key hotel groups, Southern Sun Hotels and Sun International.

Kerzner has been the mainspring of the casino-resort industry in sub-Saharan Africa, and also greatly boosted tourism in Mauritius and The Comores.

Sun International's Bophuthatswana subsidiary now describes itself as the third biggest casino-resort group in the world in terms of market capitalisation. Measured against all hotel groups (with or without gaming facilities), it says it is 135th in terms of room numbers; 10th by net income.

Kerzner's latest project, the £173m Lost City, is an African fantasy theme resort. It opened a year ago and is viewed as the most ambitious resort built in Africa. At its heart is the Palace Hotel: 338 rooms, luxurious, *different*.



The elephant atrium of the Palace Hotel, Bophuthatswana

Gerald Allison, of US architects Wimberly, Allison, Tong & Goo International, a world leader in hotel and resort planning, says that the first thing to understand about the Palace Hotel is its opulence. "I know of no other hotel in the world, past or present, that has the space and grandeur of the Palace," he says. "The Palace is not a hotel masquerading as a palace; it *is* a palace."

That is over the top. Yet the Palace is indeed a remarkable creation.

Next to the hotel is the Lost City complex: the Valley of Waves (hi-tech waterpark); an entertainment centre; special features such as the Bridge of Time; and a fantasy jungle-garden that uses more than 1.6m plants, trees and shrubs of 3,200 species.

The hotel has its own Gary Player-designed, par-72 golf course (impressive desert layout, including live crocodiles in the water hazard at the 13th hole); and there are game drives and safaris available in Pilanesberg national park.

For South Africa, Sol Kerzner's Lost City is futuristic in the literal sense: a projection of the good things that lie ahead. Or perhaps it is just a chimera: a fantasy from a future that will never come true.

■ Travel and accommodation details: Sun International, Badgemore House, Gravel Hill, Henley-on-Thames, Oxfordshire RG9 4NR, tel: 0491-411222.

# A slow train ride on the banana line

***Mark Hodson tours the Caribbean coast of Honduras***

AS THE train waited to pull out of San Pedro Sula, a ticket inspector with a Hitler moustache marched down the carriage, at his side a gum-chewing teenager with an M-16.

It was a three-hour ride to the Caribbean coast and the first-class fare was 25p. The seats were made of slatted wood; second-class was the same price but without the seats. Welcome to Honduras, the original banana republic.

At the station a clerk had tried to persuade me to take the bus, which cost another 10p but took just 45 minutes. "This is not like your trains in England," he told me.

We pulled away with a fierce jolt, bang on time at 6.45am, and as we crawled out of the city and an orange sun rose over the shabby suburbs, the driver leant long and hard on his horn to clear the track of cars, children and skinny dogs.

Our carriage had been built in 1951 but the line was older, one of those laid early this century by the US fruit companies to transport their bananas from their plantations to their boats.

With wheels screaming and windows rattling we passed tumbledown wooden shacks where fat men in vests lounged on porches and naked toddlers played with pigs in the dirt. As the train neared the coast the villages were no longer Hispanic but black, the ubiquitous background salsa beat giving way to a pounding reggae.

The end of the line was Puerto Cortés where passengers were let off just outside the container port. The town was seedy and run-down, full of pool halls with paint peeling from the walls and grim-looking prostitutes.

It was the first town in central America I had seen without a church on the main square. In the evening I witnessed a real old-fashioned bar-room brawl complete with flying stools and broken whisky bottles – all tremendous fun.

The morning train going east along the coast to Tela took 4½ hours to cover 30 miles. We spent the last two hours in a boxcar with a corrugated tin roof and narrow slits for windows, which was rather like travelling in an oven.

Tela is laid out along a long beach with white sand and palm trees; stout black women wander up and down carrying bowls of coconuts which they crack open for sunbathers with one deft swing of a machete.

A pair of barefoot boys banged out rhythms on upturned buckets and cymbals made of rusted tin-can lids. Their younger brother shimmied and danced in the hot sand.

The boys told me they lived in Triunfo de la Cruz, a small village along the coast which I promised to visit the next day. The people there call themselves Garifuna and speak a strange cocktail of Spanish, English and Dutch.

They were brought to Honduras from the Caribbean islands in the 1920s and 1930s to work the plantations, and although some of the teenagers have discovered rap music and Malcolm X baseball caps, the old men pass their days playing dominoes or tending their neat gardens.

The houses are well-kept. The women bake coconut bread, their husbands fish in dug-out canoes. There are no beggars or drunks and everyone looked well-fed and happy.

On the bus back I sat squeezed between two big mamas who provided welcome padding when the steering column broke and we veered off the road into a ditch. We waited an hour in the thick heat, the two ladies chatting cheerfully over my head, as the driver repaired the damage with the engine running and the radio blaring.

On the other side of Tela was a newly-designated national park called Punta Sal, so new that no buses yet went there. I managed to hitch a ride with a fish salesman and balanced precariously on a freezer in the back of his pick-up as it bumped down a sandy track.

For an hour we drove along a thin isthmus with the crashing Caribbean sea on one side and a perfectly still, deep green lagoon on the other. At the mouth of the lagoon was Miami, a village of two dozen thatched huts built on the sand. Children laughed and played football on the beach while a man in a floppy hat carved a canoe out of a tree trunk with an adze.

A fisherman took me out on the lagoon, punting his boat slowly through thick mangrove swamps where egrets skimmed the calm water in search of lunch. There were said to be tigers there and white-faced monkeys, but my guide told me it was too windy for them to come out, or possibly too hot, one or the other.

Two days down the coast I landed at Trujillo, an old port and former capital founded in 1525. Overlooking the harbour stood the ruins of a Spanish fort. It was a bleak spot but clearly a popular one with locals because a sign on a wall warned: *Prohibido los romances*.

Above the town in an overgrown graveyard was the burial place of the American filibuster William Walker who in 1856 successfully invaded Nicaragua with 56 men. A few miles along the coast stood Puerto Castilla, the point where Columbus first landed on mainland America and where the first of many Catholic masses was said. Now there are just rows of filthy shacks, another banana port and a closed-down shrimping station.

It is said – too frequently – that the effect of tourism is to destroy the environment, but the scene at Puerto Castilla *seemed worse. I longed to see a* monument or commemorative plaque, even a souvenir shop.

But perhaps, amid dust, poverty and hopelessness, it would be too squalid a place to celebrate the birth of the New World. Or too poignant.

A woman washing rice at Hué's Tu Hiêu temple. At sunset the city might be an opium eater's vision.

Sarah Murray

# Hué: serene survivor of an older Asia

*Nicholas Woodsworth climbs the pass of the ocean clouds and survives a drenching in year-old fish sauce to reach an ancient city slowly recovering from the horrors of war*

IS FOREIGN travel always the rewarding and worthwhile thing it is made out to be? There are moments when one cannot help asking the question.

I am usually willing to put up with all sorts of discomfort and indignity provided the final goal is worth it. There are other times, though, when I wonder what in God's name travel is all about. Such a moment came some 30 miles from the old Vietnamese imperial city of Hué when buckets of fermented fish sauce began flying in through the window.

I had not paid much attention to the cargo loaded on the roof of the bus I boarded one sticky morning in the coastal town of Danang. When 35 people are squashed into a rusty vehicle the size of a milk float, they have other concerns.

I worried about the furnace heat inside; about the unnatural appearance of my left leg, twisted between a set of bony Vietnamese knees and a metal bench support; about the competence of the driver on the steep roads of the Hai Van pass that lay ahead. *Nouc mam* was furthest from my mind.

*Nouc mam* is one of the world's stranger concoctions. It is made by cutting raw fish into chunks, pressing its juices, adding large quantities of sea salt and then letting the whole mess ferment in ceramic jars for a year. The result, a highly pungent brown liquid, is offensive to most foreigners. But it is an essential of Indochinese life, and no meal in Vietnam is complete without a good sprinkling of it.

Nor, it seemed, was this bus trip complete without a good sprinkling of it. All was well as we trundled along north of Danang on a flat seaside plain of leafy banana trees and electric-green paddy fields. It was when we began climbing the Hai Van – in Vietnamese, the "pass of the ocean clouds" – that things became undone.

As the bus tilted skywards, the *nouc mam* in the jerry cans above our heads also tilted. The makeshift seals on the cans' tops – plastic bags with rubber bands around them – were no match for the brew sloshing around inside. Within minutes, streams of reeking brown liquid were washing down over the roof of the bus and into its open windows.

The beauty of the mountains, the aquamarine tint of the sea far below, the bright confusion of verbena growing by the roadside, the sweet smell of the pass's pine forests – all were lost on me. Sluiced in the stuff, the bus stank. My fellow passengers stank. I stank.

When I could stand it no longer I crawled out of the bus's rear doors and stood on the wide bumper beside a conductor who grinned happily through it all. Three hours later, when we had crossed the pass and arrived in the gracious city of Hué, I was shaken, spattered and smelt appalling under the thick white dust that coated me.

THERE ARE few cities in the world that could entice me to travel the *nouc mam* route again. A bath of fish sauce is a kick to the shins of dignity, a serious damper on general enthusiasm for life. Hué, though, is a city for which I would do it all again.

Other cities in the region may be roaring aggressively into a brave new Asian century of high-tech competition. Hué, blithely indifferent, presents another face. It is tranquil, smiling, slow and gentle. It is the serene Asia that Asians these days only dream about. It is the ideal place to recover from the chance circumstance of travel.

Immediately, Hué set about smoothing my ruffled feathers, seducing me with 100 subtle lures. Even the lovely, bamboo-fringed river on which it sits, the Perfume, seemed to be named to soothe me into forgetfulness. Scrubbed and changed, I walked out of the waterside Huong Giang hotel, across the long bridge over the river and through the massive Quang Duc gates of the citadel on the other bank. As I did so, I realised I was also walking into a Vietnam far older, more mannered and less hurried than I had seen elsewhere.

Hué at sunset might be an opium eater's vision. Around the citadel's six-mile perimeter of tall brick ramparts, the water in its moats took on the purple and orange glow of the sky overhead. Above the imperial enclosure – a royal citadel-within-a-citadel – bats fluttered around the Ngo Mon gate, an eastern fantasy of green and yellow tiles. Lush fruit trees grew against walls black with age. Statues guarded arched doorways while carved stone dragons looked down from gables of delicate ceramic work.

The nine holy canon; the nine holy urns; the palace of supreme peace; the hall of the mandarins; the forbidden purple city – here were buildings and objects with names that might be thought overblown even in an oriental theme park. What Disney could never add, though, is Hué's air of peaceful reflection. If the 13 emperors of the Nguyen dynasty lacked any aid to asethetic contemplation among these pavilions, pleasure gardens, ceremonial pools, ornamental gates and temples, I couldn't imagine what it was.

The citadel is not a dead city inhabited only by the past, though. Many of Hué's 200,000 people live within its fortifications. Beside high palace walls, I watched peasants in their limpet-shaped hats watering meticulously-tended lettuce gardens. On fields where imperial horses and elephants once paraded, small boys ran and kicked balls. Girls with dark hair cascading down their backs drifted by elegantly on bicycles; as people here will tell you, proudly, the women of Hué are reputed to be the most beautiful in Vietnam.

Hué's inhabitants, it seemed to me, are also the country's friendliest. Everywhere, I was greeted with gentle smiles and shy attempts at my own language.

Young men in cafés, women on motor scooters, students walking home with books in hand – all seemed genuinely glad to share their tranquil world with the none-too-tranquil world of tourism that has breached its gates.

If the city today is remarkable for its serenity and peace, it is because such qualites have been sought and denied so often in the past. Since its founding in the 17th century, Hué has interspersed periods of calm with violent and bloody episodes. It has been fought over by feudal warlords, stormed and taken by rebel armies. From 1802 until 1945 it was the seat of the Nguyen emperors' nominal control of all Vietnam.

Imperial oppression was matched only by colonial ferocity in maintaining genuine control over the country. In 1885 the French attacked and sacked the citadel: it took three entire days to burn the contents of Hué's imperial library. But Hué's greatest cataclysm took place only a generation ago.

When North Vientnam launched its Tet offensive in 1968, Hué became the scene of some of the bloodiest battles of the Vietnam war. Taken by the communists and contested in brutal house-to-house fighting for 25 days, the citadel was pounded by the South Vietnamese air force, American artillery and Viet Cong rockets.

Much of it was levelled and more than 10,000 people, most of them civilians, died. Of these, 3,000 were merchants, landowners, Buddhist monks, Catholic priests and suspect intellectuals executed summarily by the Viet Cong. Many who survived spent years in "re-education" camps assimilating an alien ideology.

Such wounds heal slowly. Only today, with Vietnam's recent relaxation and opening to the outside world, is Hué beginning to bloom again. If foreigners are welcomed warmly by the people, it is because they are a sign of some return to normality. When Hué smiles at a tourist, it is smiling at a lifeline to happier times.

LIKE MOST of the small but growing number of visitors to Hué, I cycled to the tombs of the emperors in the pine-forested hills that rise behind the city. I visited the seven-story Thien Mu pagoda, one of the most celebrated Bhuddist temples in the country. And, in the mist early one morning, I drifted in a boat down the Perfume river, past shrines and bamboo thickets and temple-studded islands towards the sea. Nowhere else does one get such a sense of Vietnam's past.

In the end, though, it was not the palaces and pagodas, the hazy dreams of the past that attracted me most, but the brighter ones of the future.

Number Six, Dinh Tien Hoang Street, is a simple restaurant with a few wooden tables and a smoky charcoal fire, operated by a co-operative of seven deaf mutes. The street outside is over-run by ragged street children.

Armless war veterans drop in to beg for hand-outs. It is not the kind of place, you might think, where you would find much expression of joy or optimism. But ask any of the young back-packers who spend their evenings eating there. It is an extremely happy place.

Scuffed-up travellers with modest budgets are not always given a warm, smiling welcome in the restaurants where they collect. But in Hué they are. And the travellers reciprocate. The first evening I spent there I saw scenes I have seen nowhere else – diners sharing jokes with beggars; small street kids sitting on laps and knees learning simple English songs; whole conversations about families and jobs and futures mimed in free-form sign language.

Hué made me happy. Happy enough, after a few evenings, to put me in a travelling mood again. Happy enough, even, for the first time in days, to sprinkle a few cautious drops of that remarkable sauce, *nouc mam*, on my dinner.

■ *Nicholas Woodsworth travelled via British Airways to Bangkok. For those with the courage to fly Vietnamese Airlines – it has a fearsome reputation – Hué is approached most easily from Saigon or Hanoi.*

*Cars with drivers may be hired through Vietnam's state-owned tourist organisations for a moderate sum, with Hué included on a country circuit lasting several days.*

*Travel in Vietnam has been complicated by restrictions on certain areas and the need for internal travel documents. In the past two years, however, Vietnam has made progress in catering to growing numbers of visitors, and the restrictions may disappear in due course.*

*Hué has two decent hotels, both on the banks of the Perfume river. The smaller and older of them, the Huong Giang, is the more pleasant. River excursions and tours to the tombs of the emperors are organised easily.*

*Information about travel to Vietnam can be obtained from Vietnam Tourism, 39b Licoll Street, London NW10 (tel. 081-961 0117).*

Victor the fish inspector with his accordion

# Thaw brings anglers to the tundra

*Rose Baring goes fishing on Russia's Kola peninsula*

OUTSIDE interference has been felt only twice in the remote village of Varzuga, and it has always meant trouble. "Ivan the Terrible sent his *oprichniki* (secret police) in 1568. They killed two-thirds of the population." Svyatislav Mikhailovich Kalouchin paused to let this sink in, stroking his moustache thoughtfully, before continuing. "Then, after almost 400 years, Stalin sent his men, too."

He caught my eyes and smiled. Both of us were outsiders.

Svet, as he is known by his western partners, or Mikhail'ich by his respectful employees, is from Odessa, the "pearl of the Black Sea." For the past four years, he has been director of the 2m-acre Rise Up Communism! collective farm on Russia's Kola peninsula. If you imagine Scandinavia to be the silhouette of a bad-tempered mule's head, then the Kola peninsula, straddling the Arctic Circle, is its flattened back ears.

Beneath the surface, the Kola is rich in minerals; but the land itself is like a massive black beach at low tide. Undulations in the sodden, peaty soil create millions of small pools, and the only crop is forestry. The farm is so inaccessible that it keeps its own herds of pigs and cattle for milk and meat. Its bakery produces fresh bread daily from flour driven hundreds of miles over rutted roads.

The main farm income derives from deep-sea fishing and salmon netting. But, as subsidies in the state farming sector are cut, providing an income for the 1,200 inhabitants requires the kind of lateral thinking for which Russian managers are not generally famed. Yet Svet, a mere babe at 36, appears to have what it takes.

As well as a recently-built frankfurter plant, he runs a factory making fur clothing and sells fish, crabs and lobsters to the Germans. Perhaps the most incongruous of his recent ventures is a series of partnerships with western travel companies, offering salmon fishing on the farm's prolific Arctic rivers.

Salmon stocks in many European rivers have been so depleted by netting that you might pay large sums for a week's fishing and return without so much as a story about the one that got away. The group of eight with which I travelled caught 79 in one day. Such was their enthusiasm – and the continuous polar daylight – that many fished into the early hours of the morning.

There are camps on both the north and south coasts of the peninsula. The larger fish head into the northern rivers, later in the season. It can still feel like an early Arctic spring in May and early June, but that is not entirely bad: the area's elephantine mosquitoes like warmer weather.

The arrival of foreigners in this introverted spot – a forbidden destination for 70 years except for supply ships during the second world war – had its surreal moments. We flew first to a tented camp, 130km from the nearest village on a piece of blasted tundra with only an ancient belching tractor engine to generate electricity. Yet, within the wind-buffeted kitchen tent, two microwave ovens, a food processor and a pair of brand-new filter coffee machines gleamed next to a corroded vintage refrigerator.

The locals found the western fishermen hilarious. An assorted bunch of well-paid professionals, their kit was state of the art. Watching them cast elegantly and continuously, the gillies grinned mischievously as they described their own 4ft spinning rods, crude lures and landing technique – which consists of walking backwards until the fish is lying on the bank.

Our second camp was a group of log cabins on a flat bend in the river, a short way south of Varzuga. As we arrived by helicopter, the pilot dipped down to look at the Church of the Ascension, a towering, 17th century wooden structure. I was drawn to its complexity, unnerved perhaps by the utter simplicity of the local architecture and way of life.

The cross-shaped building sits on raised wooden foundations and rises to its central, tent-roofed tower in a series of exaggerated ogee gables. At the top of the tower is a small, bulbous cupola, covered in wooden tiles. Although built only with an axe, and without a single metal nail, there is something in the arrogance of its design that is tantalisingly familiar.

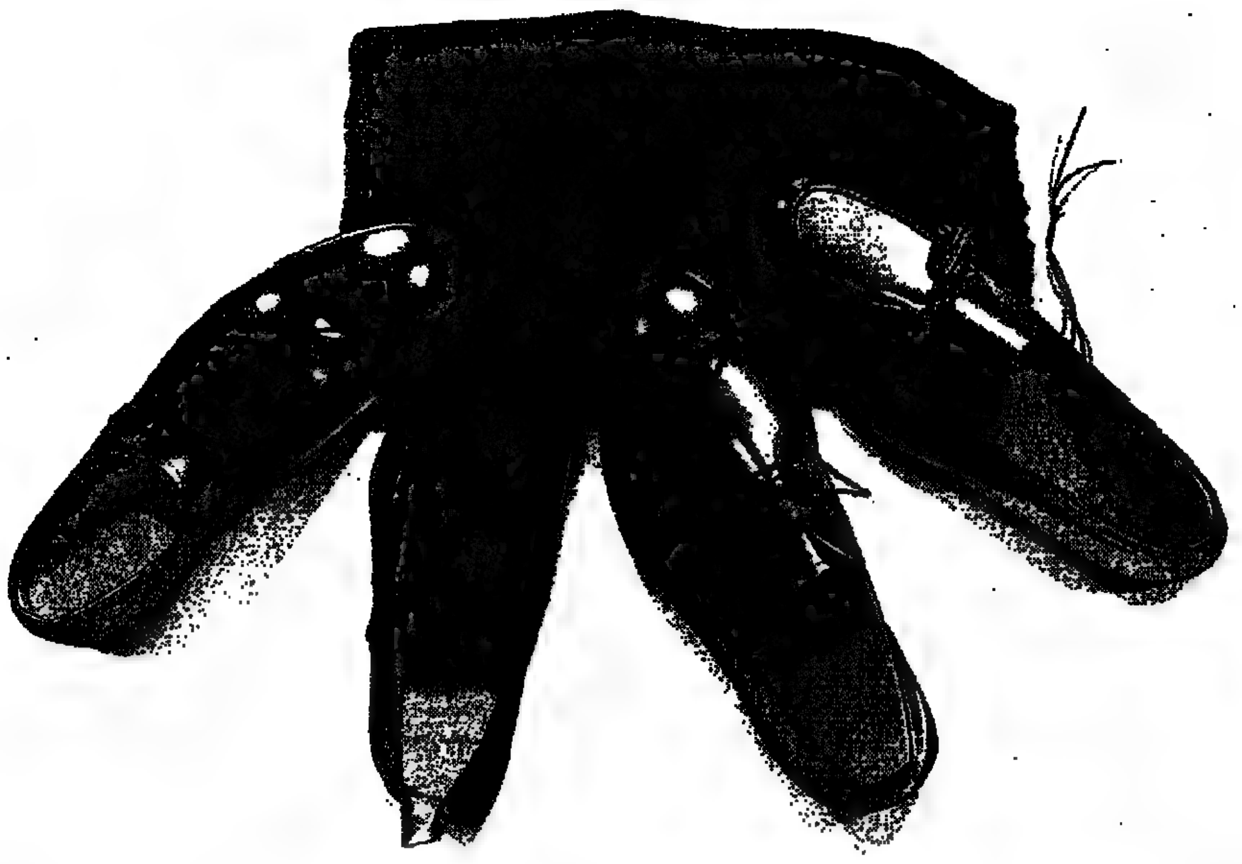
Victor, a Ukrainian who lives next to the church and is building his own wooden house, told how the village was the oldest on the peninsula, dating from the 12th century. It had become immensely rich from fishing, furs and the abundant supply of fresh-water pearls, which were used by the thousand to decorate church robes and crowns. The church's upkeep was met from the proceeds of all fish caught on religious holidays. Today, the village cannot afford to build a house for – or pay – a priest.

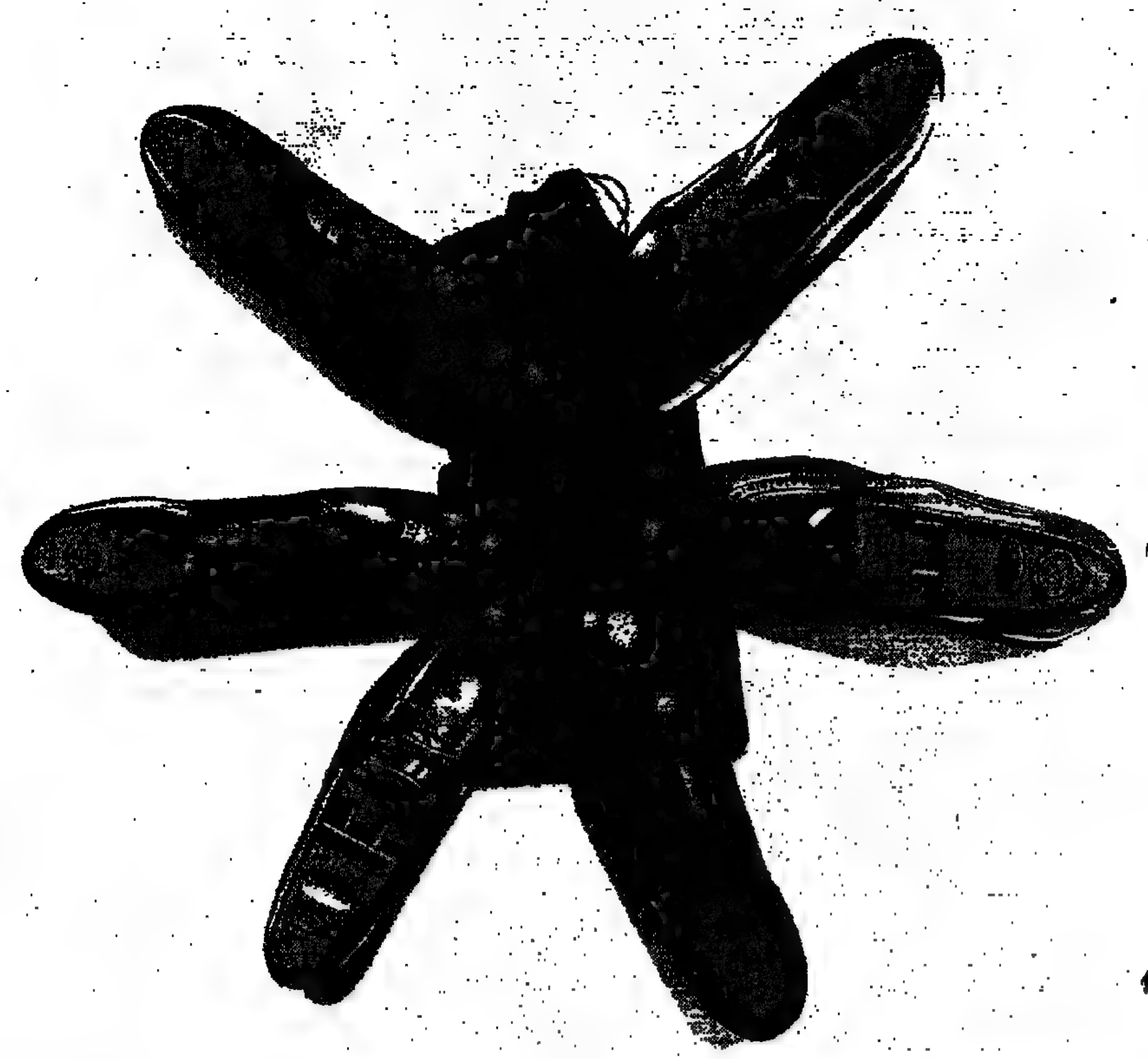
On our last, gloriously sunny night, we heard for ourselves that, even without a church, the musical traditions of the village had survived. Valentine the fish inspector arrived with his accordian. He left at 1am, setting off upstream in a matchstick of a boat, standing perilously every now and then to wave goodbye. Still ringing in my ears is his aching, melancholic song about an astronaut who dreams of his wife, his return to earth and the numbing, romantic beauty of the Russian countryside.

■ *Many camps on the peninsula are operated by Kola Salmon based at 25 High Street, Hungerford, Wiltshire RG17 ONF (tel. 0488-683 222). The season runs from late May to mid-September, and prices vary from £2,000 to £3,400 a rod per week. Non-fishing guests pay about £1,200. Prices, covering everything except tips and drinks, include British Airways flights to and from Moscow plus charter aircraft and helicopter transport.*

# Shoes: put your best foot forward

*Spit and polish is not enough: stylish footwear never comes cheap, says* ***John Morgan***





Above, a selection of Oliver Sweeney shoes available from Harrods, Knightsbridge, London SW1 and Kurt Geiger, 69 Jermyn Street, London W1. From left, Olivier, a London semi-brogue, £219; Gielgud, a black calf Cambridge with elasticated sides, £219; The Storm Derby, sturdiest of the range with a sole made from rubber and leather for extra protection, £239; and finally, Carmichael, a black calf tassle loafer, £219. There is a Sweeney Diffusion range which is less classic, more avant-garde and sells for between £110 and £150 in good department stores such as Harvey Nichols, Selfridges, Rackhams of Birmingham.

Right, a selection of Edward Green's shoes, available from 51 Burlington Arcade, London W1 (tel: 071-499 6377) and 90, Jermyn Street, London W1 (tel: 071-930 7691). Clockwise from top left: Calf leather lace-up country shoe with hand-stitched front, £325, perfect weekend wear. Toe cap Derby, in black it is THE business shoe, in brown wear it for informal gatherings and week-ends. Casual tassled brogue, the ultimate yuppy shoe. Cadogan, lace-up, semi-brogue – in black it is good for city wear, in brown it goes with moleskin and corduroy, favoured by the gentleman farmer's son on his day out to London. Finally an Oxford full brogue, in black it is the ex-Army Officer's shoe, part of his out-of-uniform uniform. In brown, it is the favourite of the gentleman farmer. All the last five cost £295 a pair.

*Drawings by Ashley Lloyd*

A PLASTIC surgeon once said that the difference between a beautiful woman and a not-so-beautiful one was millimetres. The same applies to men's shoes. The perfectly-shaped toe-cap, superbly proportioned detailing and right height of heel set truly splendid shoes apart from the also-rans.

Bad shoes, on the other hand, *always* make a poor impression. They can also be indicative of shortcomings elsewhere in a man. In a survey in *W* magazine, in which leading international women were asked what they most hated in a man's appearance, a large proportion cited badly-chosen, ill-cared-for shoes as their sartorial *bête noir* in the opposite sex.

A friend tells of (her) happily accepting a dinner invitation from a seemingly attractive tennis partner, only to be irredeemably disappointed by his shoes when they finally met for a date. "One glance at his Italian wide-boy shoes and I knew instantly there was no point looking any further," she confides.

However, shoes often present problems. Men who normally have no trouble choosing a good suit, the right shirt and an amusing tie often seem to lose all discrimination when buying shoes. I often see perfectly attractive clothes ruined by cheap, ill-fitting and grubby shoes and wish the wearer would invest more in his footwear and less in his designer outfit.

Britain makes some of the best classic men's footwear in the world – shoes that illustrate the traditional British idea of combining style and quality with practicality. The best not only look good but last a very long time if properly looked after. Although expensive at around £250, they, more than many luxury items, offer value for money, because of the large cost of good materials and the many highly-skilled man-hours used in their production.

But what are the tell-tale signs of quality? "The shape of a shoe is the first consideration," explains Richard Allen, of Edward Green, a leading maker of first-class men's shoes. "When choosing a shoe, its shape, determined by its last, should be the same as the foot itself – straight on the inside and curved on the outside. This means that the shoe will actually fit as well as look attractive."

His advice is shared by Oliver Sweeney, a fashionable shoe designer who, in his obsessive quest for the "aristocratically-slender look" shoe, stresses the importance of "the instep pointing towards the big toe and not to the centreline of the shoe." A correctly-shaped shoe fits the wearer from the start and needs none of the ritual "breaking-in" so mistakenly beloved of sadistic nannies.

The second consideration is style and cut. As with the last, millimetres matter. The length of the cap, height of the vamp and patterning must be in harmony with the shape of the last. Many men make the mistake of choosing shoes bristling with punching, tassels and nasty bits of metal and forget that often the simpler styles look the smartest.

The next test is the quality of the "upper" (top part of the shoe). "The best shoes are made from young skins, no more than twelve weeks old: they have a fine grain and take a high polish," explains Allen. When buying brown shoes, he recommends asking for ones made in aniline leather. These, although needing plenty of polishing, develop a wonderful patina with age.

He and other shoemakers I talked to are scathing about the cheap, plastic-treated leathers used by lesser manufacturers. Suede should be proper reversed calf or stag skin, both of which are unlikely to develop shiny patches. Now check any decoration: punching, perforations and gimping, if done by hand, will be crisp and even. Then test the toe and heel for firmness: good shoes have leather stiffeners to keep them in shape.

Lastly look at the shoe's soles. "The insole," stresses Sweeney, "must be made of leather to absorb sweat, allow the feet to breathe and, most important, form a perfect reproduction of the underside of the foot, thus making the shoe supremely comfortable."

The outer sole, also made of leather, should be "welted" to the rest of the shoe. A welt is a strip of leather placed between and sewn on to the edge of the sole and the turned-in edge of the upper. It produces a comfortable, elegant shoe that can be repaired repeatedly.

The soles of the best shoes are vegetable-tanned for longevity and coolness. No stitches should be visible as they are hidden in a specially-cut channel in the sole. Heels should also be made from layers of leather (man-made substitutes tend to gape in the rain) and should have brass pins as they provide the best grip. Rubber tips provide extra protection against slipping.

The final tip for investing in good shoes is to buy them in the right shop, one that will cater to your needs and preferences and provide a comprehensive aftercare service. The type of shoes I have described will, if properly cared for, last for years. However they need to be kept on trees, regularly polished and repaired by their makers. Follow this advice and avoid the false economy of buying shoes that are anything less than the best.

■ *John Morgan is associate editor of GQ Magazine.*

# A true British Original

***Lucia van der Post** welcomes a rival to the Banana bunch*

ALL THOSE who remember the early days of the catalogues put out by Banana Republic will mourn their passing. The combination of quirky text, idiosyncratic drawings and the plain usefulness of the products made them unmissable. I still sometimes read them just to cheer myself up when I think the whole world has gone mad over logos and fancy labels.

Alas, the Banana Republic of today has gone all posh, with lots of very smart safari clothing and no quirky catalogues. If you miss them as I do then I think you will like the British company, Rediscovered Originals by Harry Brown.

Though the company is only a few years old, the catalogue looks as if it has been around for years. Harry Brown is the mythical setter of its style, the chap who is out there travelling the world sourcing the products that fit the image.

What Harry Brown comes back with are the sort of classic products that all of us need at some stage in our lives. There are plain leather belts, soft, friendly briefcases, sweatshirts and felt hats, Moleskin waistcoats and convict shirts – as most of you will not be acquainted with these let me put you in the picture: they are tough indigo striped cotton shirts with metal studded buttons, patch and flap pockets and double cloth shoulder yokes and they sell at £19.98.

There are cult products such as Doctor Martens boots, baseball caps (£6.98), Levi 501s (£35), biker jackets and the PLO Scarf (£4.98). Then there is a really useful duffle ("discovered by Harry Brown whilst on a fleeting visit to India") which "is not a Louis Vitton (sic), it is not a Gucci, it is a good old honest Harry Brown".

Prices are good, too, with a classic leather belt selling for £14.98, a Chambray denim shirt for £14.98, the Harry Brown duffle for £39.98 and a leather Western jacket for £139.

Harry Brown understands, too, our preference for things that do not look too new. "Be prepared for adventure in this strong, rugged, scarred jacket," he writes in the catalogue about the Indiana leather jacket (£184), while there is also a specially battered and scarred belt (£19.98.).

Sketched here is the Harry Brown Duster Coat, £78 – "made from special pigment dyed cotton canvas (not waxed), it has undergone an ageing process to give it a lived in, distressed 'been there, done that' appearance." And no, Rediscovered Originals doesn't sell the Harley Davidson but Adam Machell of Adams Gym, Leeds will.

Rediscovered Originals now has shops in Leeds, Sheffield, York, Chester, Hull, Thurrock and Newcastle. For a free copy of the catalogue write to Rediscovered Originals, Springfield Mills, Town End, Bramley, Leeds LS13 3LY, tel: 0532-564416.

# Wake up to witty waistcoats

***Lucia van der Post** looks at this season's essential fashion accessory*

IF YOU DO not yet know that waistcoats are this season's must-have accessory then you have clearly not been paying attention. Whether you be male or female you need only to take yourself off to the nearest emporium for a waistcoat to suit your mood and you can feel that you have done your bit towards fashionability for the season.

From BhS and Marks and Spencer to the chic designer labels there are waistcoats of every sort – pale, ascetic and almost minimalist in mood; exotic and embroidered for when in peacock mode; tweedy for the country; woolly for warmth; richly patterned for the show-off set; and specially embroidered for those used to bespoke.

At Favourbrook, 19-21 Piccadilly Arcade, Jermyn Street, London SW1Y 6LX, waistcoats are the shop's speciality. It does sell other things, most notably some gorgeously rich and romantic evening jackets, but waistcoats is what it is primarily known for.

The latest collection is for women as well as men and the emphasis is on rich and original versions for evening wear. There are silk and cotton brocades, plain and patterned velvets, wools and cashmeres. All can be either single or double-breasted and Favourbrook has also developed a new high-cut Edwardian style which it believes lends a more elegant look – and who among us would not wish to look more elegant?

There is a wide range of waistcoats already in stock but there are also some 2,500 different fabrics to choose from and the shop will make to measure at no extra cost.

Favourbrook's waistcoats never come cheap, but the fabrics really are exceptional. For ready-to-wear or made-to-measure the prices range from £70 to £170, depending on the fabric.

Evening jackets and coats, for those who are interested in a rich romantic look for the evening, include brocaded hacking jackets and silk evening ones as well as smoking versions in velvet, often with frogging and satin linings. These range in price between £300 and £400.

**AT The Shirtsmith, 139 Portland Road, London W11 4LR (tel: 071-229 3090) they have long specialised in shirts, producing some of the most original and desirable ones around. This year, perceiving the way the fashion wind was blowing they have also produced a bumper crop of waistcoats.**

**Sketched here left: in minimalist mood – strict linen waistcoat with dark trim, £89.95, worn over a flecked noile silk shirt, £99.75. Sketched near right: for romantics, a velvet print waistcoat, £85 worn over a frilly-necked taffeta shirt, £135. Far right: for extroverts – checked silk waistcoat with purple stars, £149, worn over a plain white poplin shirt, £69.95. Both are suitable for men and women.**

**All can be bought by mail order. There is no catalogue but there is an information pack with drawings, measurements etc. The cut is, on the whole, very generous, so order accordingly.**

***L v d P***

# At last – a showcase for real talent

*Britain's young designers have finally won the kind of backing their unique work deserves, reports **Lucia van der Post***

PETA LEVI has been involved in design for many years. She started as a journalist but, as she began to see more and more of the difficulties that face the 13,000 students who come pouring out of British design schools each year, she went into the business of organising exhibitions. "What I have tried to do," she says, "is to bridge the gap between Britain's graduating designers and industry. Most new designers have such trouble getting started and they need a place to show their wares."

Now that her annual exhibition for the work of the best of them – at the Business Design Centre in Islington, London – has taken off she has moved on to the next stage. "So many of their new young businesses were failing, not because they lacked talent or interesting products, but because they did not have the proper means to market their wares or places where they could be seen," she says.

She has therefore begged and borrowed funds and warehouse space to enable her to open the first permanent gallery where their wares can be seen and bought. She provides her own efforts free, Cathy Hatgis, an interior designer, has offered her time so that it can open to the public every Wednesday and Wolff Olins, the interior and industrial designer, has provided the premises in the shape of a converted warehouse in his offices near Regent's Canal.

The result is that there is now an ever-changing selection of the work of some 60 designers. Though most of the time the work is primarily aimed at the trade in the shape of buyers, architects, specifiers and interior designers, the certainty that Christmas will shortly be here and with it the need for presents that are interesting, original and not to be found everywhere, means that many readers might well like to take time out to visit the showcase.

The range of talents includes most of the design disciplines – everything from textiles, furniture design, glass, ceramics, wood and metalwork to jewellery, plastics, lighting and flooring. Here anybody interested can see the full range of work and, if there is nothing that meets their precise needs, they can commission a special piece.

For the season running up to Christmas, however, there is an exhibition aimed at the more casual shopper – in other words a good selection of smaller, take-away wares that will sit happily under the tree until the big day.

For under £100 you could choose from hand-painted and printed silks by Modern Primitives – hankies at £18, ties at £35, cushions for £65 and scarves for £80.

Then there are hand-blown glass egg-cups by Marianne Buuf for £18 and lots of mirrors for under £30 by Caroline Musson, Ashley Hall and Keira Baldwin. Or what about hand-painted porcelain mugs at £15 by Brenda Taylor, deep blue or maroon brass and nickel napkin rings by Clare Thatcher for £25, or matching candlesticks from £18.75?

Those who are looking for finer or more expensive things might like to know that Jenny Maddock does lovely silver pens for just over £100, Paul Gower has a CD rack for £195 and Jessica Ball has produced a highly decorative porcelain tea service for two, on its own tray, for £200.

For members of the public the showcase is normally only open on Wednesdays from 11 am to 4 pm, although they will open by appointment on any other day. The special Christmas exhibition with plenty of smaller, less exclusively-priced present ideas, is on Wednesday November 24, but there will be lots to choose from on every Wednesday from then on until Christmas.

However, although Christmas may be a chance to introduce the designers' work to a wider range of customers, the main purpose of the showcase still remains to encourage the notion among us all that original, creative, one-off pieces are well worth initiating and commissioning – that all of us, from big city institutions to individuals, can be patrons in our own little way.

A visit to the showcase gives the visitor a chance to see a large selection of all sorts of work and helps to refine our eye and focus our taste. Instead of buying a mass-produced dining-table, for instance, or rummaging round the antique shops, why not consider commissioning your very own piece? For a sum not very different from what you would pay for a routine piece in a department store you could have the designer, the wood, the shape and the size of your choice.

There is no need to settle for a fabric, a mirror, a piece of glass or silver or jewellery that doesn't meet your needs and desires in every way.

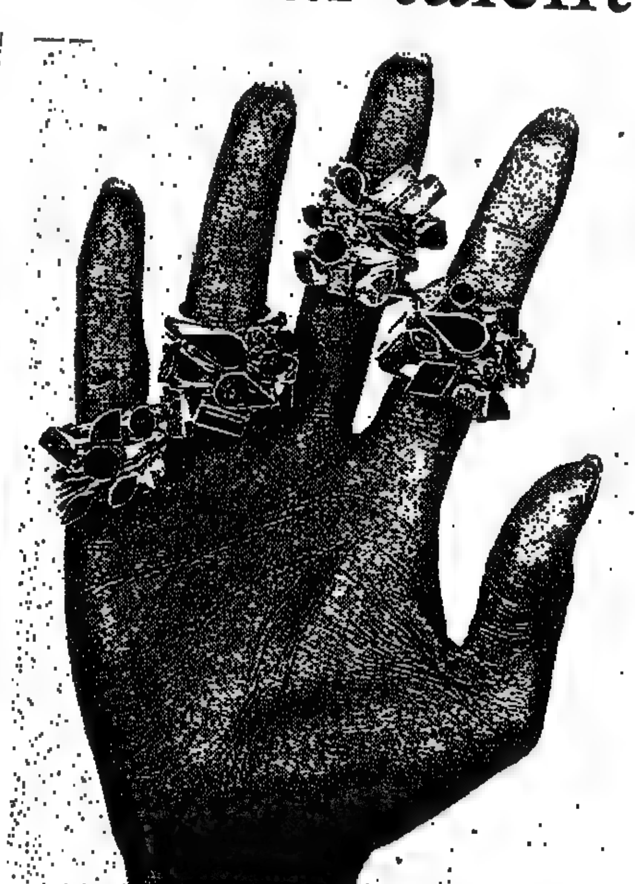
At the business showcase there is a chance to catch up with some of the most talented designers around and see whose tastes and skills most aptly suits your needs.

■ The New Designers in Business Showcase is at Wolff Olins, 10 Regent's Wharf, All Saints Street, London N1.

It is open to the public every Wednesday (from 11 am to 4 pm except during the Christmas period when it is open from 11 am to 6 pm), other appointments can be made by telephoning 071-435 4348 or faxing requests to 071-435 5487.

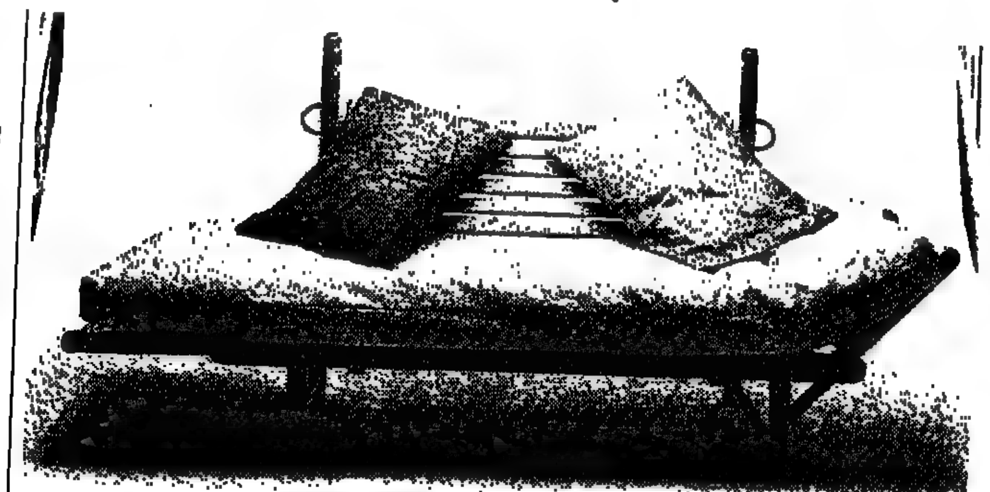
**Inkpot and pen in patinated copper in the form of a telephone, by Jenny Maddock, £650**

**... in natural birch plywood. They can be hung on wall or ceiling or can also be laid on a flat surface. Designed by Gaze Burvill, £39.95**



**Silver rings by Tina Engell with bright-coloured stone, some synthetic, some semi-precious. The stones move freely on sticks in the slot. Prices range from £170 to £320, depending upon the stones**

**Chaise O2 in steel, polyurethane and spandex, designed by Stephen Philips, £387.50**



## Sleeping sound on English wood

THE Treske Shop started in North Yorkshire as a provider of furniture made in good solid English hardwoods such as oak, cherry, walnut, beech and ash. There is now an outlet in London for those who like the simple lines it goes in for.

It is particular strong on beds, with a big range of natural wood frames with sprung slats. One of their best-sellers is the daybed photographed above, designed by Vico Magistretti, the Italian furniture designers. Generously proportioned, with Futon-like upholstery, it is especially popular for those with conservatories where they can indulge in reading novels, listening to Mozart, eating chocolates and all the other purposes for which conservatories are ideal.

It also would work well in a bed-sit where it could double as a sofa by day and a bed by night. The arm drops down to form a 6 ft 3 in single bed. Made from natural ash, it comes covered in a variety of fabrics. Prices start at £774.

The two Treske shops are at Stations Works, Thirsk, North Yorkshire YO7 4NY and 5 Barmouth Road, Earlsfield, London SW18 2DT.

***L v d P***

# The designer muzzle: it's a must

*Critics face unfair pressure from peevish couture houses, argues* ***Jane Mulvagh***

THE STARS and the press pushed through the foyer of the Ritz and converged on the ballroom, converted by Versace into a polystyrene and cardboard mock-up of Caligula's palace for his "couture" show. Push, shove, yell: "Look, Madonna!" Scratch, elbow: "Polanski!" Barge, plead: "Elton!"

The uninvited were sequestered outside, along with Suzy Menkes of the *International Herald Tribune*. She was banned by Versace and Ferre at Dior for criticising their previous collections. Like peevish children, designers will not admit unmuzzled writers for fear of ... what? The truth? Banning is nothing new – Chanel loved to oust trouble-makers – but it is now commonplace as designers try to control what is written about them. Come in if you will write a eulogy, stay out if you really intend to exercise your professional rights as a critic. One minute, they are chasing journalists to boost scent, hosiery and boutique sales, the next they cold-shoulder a dissenting voice.

In the days when the publicity-shy Cristobal Balenciaga failed to issue an invitation, journalists might be furious – but they could not accuse him of fawning over them one moment and rejecting them the next. His manner was consistently distanced and, therefore, professional.

Now, press/designer relations have reached comic extremes. Any semblance of propriety or subtlety has been jettisoned. Its *quid pro quo:* write a good feature and your office or home turns into a funeral parlour; you cannot see the desk for the blooms. Write a criticism and you are *persona non grata*. Change your mind next season and everything is blooming marvellous again. One pre-requisite in this industry is a short memory.

Shamefully, the press does, with some exceptions, buckle under the pressure of fashion empires, especially when the Italians start ganging up. The next season, the designer's handwriting might not have changed but the journalist's reading of it certainly has.

The problem is that fashion and beauty writers are offered sweeteners: discounted clothes, a momentary glance into the high life, and so on. Judgment is clouded, opinions become bias. Guffaws could be heard from New York to Tokyo when a television exposé of the industry, *The Look*, filmed interviews with editors denying they were ever given gifts.

Some opinion-formers stand their ground. Consider the case of *Women's Wear Daily* and designer Geoffrey Beene. When *WWD* sent an assistant rather than John Fairchild, the chairman, to view a show, Beene took umbrage. The magazine retaliated; as far as it was concerned, Beene no longer existed. He was ignored and even air-brushed out of photographs.

Beene can get terribly peevish. When Kennedy Fraser criticised not only his collection but his design direction in the *New Yorker* in the 1970s, she was banned for several seasons. But Fraser, no pedestrian critic, not only pointed out the faults but also constructively offered an alternative course. Beene later re-considered his impetuous snub and now acknowledges publicly his debt to Fraser for changing the path of his design – for the better.

In many ways, the press is to blame for the antics of designers, having built them into gods who are invited to pontificate not only on what we should wear next season but also on how we should lead our lives. Endless profiles have accorded dress-makers the role of pop-philosophers. Should we really be so amazed that Benetton has the hubris to "educate" us about Aids while advertising its jerseys?

London is the bottom of the rung as far as the Milan/Paris/New York collections' status is concerned, for none of its designers has a big advertising budget. Perhaps it is a cynical view but one wonders why British fashion writers flex their critical muscles so energetically when reviewing British designers. Could it be that advertising revenue will not be affected while, having felt frustratingly muzzled in the other capitals, they let rip in London? It is little wonder that the British designers complain that the British press do not support them.

Non-fashion journalists have viewed the fashion press askance for some time. This attitude hardened late in the 1960s when the counter-culture journalists were trying to taking on the Establishment and ask difficult questions. The more judicious news journalists were suspicious of the fashion editor/designer symbiosis in the glossy 1960s colour supplements. But the rot really set in in the *1980s when the glossies and news*papers became style-obsessed and filled their pages with designer profiles. Now, their Frankenstein has come home to bully them.

But informed critics – not, of course, to be confused with tabloid sensationalists – should stand firm. *A ban should be read as a badge of* integrity, proof that the journalist has spoken his or her mind (correctly or incorrectly). Besides, designers can hardly ban everyone.

Maddening though it is, we can be thankful that fashion reporting is not as venomous as some theatre reviewing. There is a Broadway legend of an impresario who responded to a bad review of his play by sending the critic a tarantula in a box. It was alive.

Perhaps we should watch out for what might lurk in those blooms.

# Jaeger: a fashion classic is reborn

***Brenda Polan*** *meets Jeanette Todd, the driving force behind the rejuvenation of a famous name*

Oversized mole wool tweed coat, £359; mole wool boyfriend's jacket, £269; matching front-pleated wide trousers, £169; cream lambswool roll-neck sweater, £69. All Jaeger London. Beige felt hat, £95 by Herbert Johnson. Brown leather belt, £25, by Otto Glanz from Harrods, Knightsbridge, SW1; cream lambswool fringed scarf, £28, Harrods, brown suede loafers, £79.99, Russell & Bromley

THE JUDGES of the Classics section in last month's British Fashion council award had a knotty problem. Two of the nominated companies whose clothes, while in some ways classic, were once dull and worthy had produced collections in 1993 which were seriously desirable by even the most fashion-conscious of women.

Marks and Spencer's progressive upgrading of the fashion content of its clothes has been gathering pace over several years now, while Jaeger's transformation has been accomplished in just a year. If companies can be compared to seagoing vessels, then M&S is a lumbering supertanker and Jaeger a nimble liner.

Even so, as Jeanette Todd, Jaeger's design director, reflects, turning a liner still takes time and a lot of ocean. "You can't," she says, "do it an a sixpence." However, she has done it on a half-crown. So this year, the award went to Todd and her team.

Jeanette Todd is one of the most engaging people in the fashion industry. Her personal style turns heads. She is small, round and very blonde, wears simple clothes and flamboyant accessories such as large pieces of costume jewellery, Isadora Duncan scarves or eccentric hats. When prevailed upon to offer an opinion, it is usually a trenchant one, often a provocative understatement.

At her most dead-pan, when her voice drops to a mutter and the Scots accent can just be detected, she is occasionally misunderstood and she finds *the company of those not* sharp enough to understand irksome. Then she can be a little frightening.

She is also a designer of exceptional talent whose commercial judgment is impeccable. She understands the balance women seek between fashion content, comfort, durability, helpfulness and cost. Revamping Jaeger was the job most of London's senior designers coveted. It was not really a surprise when Todd, head of the Burton Group's design studio and creator of the Principles range, got it.

There is a wonderful solidity about the idea of Jaeger. It is so very British, dressing the stalwart ladies of the suburban middle class for whom looking smart is important but getting value is more so. They know they can rely on Jaeger.

"It was terribly important," says Jeanette Todd, "not to lose that core customer. She is very precious to us. It was a matter not of radically changing the range, but of stretching it so that it could encompass the taste of the women who currently shop at Nicole Farhi, Whistles and DKNY at Harvey Nichols. She's probably thirty-plus, though she might be younger, a gregarious, confident person, well-informed, certain of her own taste and quick to question what fashion proposes. If there is, for instance, a fashion colour *around, she won't wear it.*"

Change is evident in this winter's clothes, in a loosening up of the line, more relaxed proportions, a fluidity and swing to jackets and coats and a wider choice of simple basic knitwear pieces which Todd's new customer would put under her jacket *while a* core customer might prefer a blouse.

It is a tentative step forward. In order to gauge just how far the range can be stretched, however, Jeanette Todd has introduced a small additional range at Jaeger's flagship store in London's Regent Street. Labelled Jaeger London, it is a step or two more sophisticated and reflects the company's new ability to get a garment from sketch pad to shop rail in between eight and 12 weeks.

"We can react first to new information," says Todd. "Based on forward fashion trends, what we see happening elsewhere in the world and on what we know is selling well in our own shops, we can give the customer what we are pretty sure she wants. This first London range, which is not being produced in enormous quantities, is a trial. Does something *this sharp and immediate* appeal to our customers? Can it pull in new customers? I won't panic if it doesn't work. You have to test your limits or you never know where they are."

To produce Jaeger London she has piled a tough task on to what has already been an arduous year, albeit one crowned with peer-group approbation. Easiness is the key to the range: neutral colours of chocolate, mole, grey, cream and black; simple shapes in leather, suede, wool jersey, flannel, gaberdine, tweed and lambswool. In design terms it exploits the contrast between body-hugging garments and generously capacious ones. "I like the interplay between tight and loose," says Todd.

In some ways it is essentially a country look – but it one which works in the city as well. "A lot of people are looking for these kinds of clothes," says Todd. "There is much less formality in the way *people dress than there was* a couple of years ago. People are not as worried about key outfits. Then, people were prepared to be uncomfortable in tight clothes to look right. I don't think anyone wants to put up with discomfort now."

Todd's early training, after Edinburgh College of Art and the London College of Fashion (a Distinction Diploma) was with Jean Muir, the couturier, John Cavanagh, and Murray Arbeid but her heart was in the mass market. She made her career heading design studios for Courtaulds, Steinberg and the Burton Group where, as well as functioning as group director of design management, she was seconded, in 1986, to the Debenhams board as fashion director.

Consequently, when she tells you what she thinks woman want, it is based on wide experience. Comparing her present target audience with the huge and varied one she had at Burton she calls it "a very narrow target." And narrow targets can be harder to hit.

"Exactly," she says. "But you have to have the courage *of your convictions*; in many cases timidity is what limits what you do. On the other hand, I would not start taking risks with the core business. And, when we feed back into the design process what we learn from Jaeger London, I won't be."

■ *All clothes from the Jaeger* London Collection available from Jaeger, 200-206 Regent Street, London W1. tel: 071-734-8211.

Pictures by Clive Warwick. Make-up by Karen Miller. Hair by Gari Gianasi at Premier.

Brown sheepskin jacket, £699; mole lambswool ribbed tunic £129; mole jersey trousers, £105. All Jaeger London. Cream cotton socks, £4.99 by Pringle. brown suede lace-up boots, £99, by Church's, Brompton Road and branches

Chocolate brown suede jacket, £599; chocolate brown suede waistcoat, 8-18, £159; mole zip-necked lambswool sweater, £79; mole long jersey-skirt, £99. All Jaeger London. Cashmere scarf, £88 by Pringle, mail order tel: 091-493-2727; brown leather cap, £70 by Herbert Johnson, 30 New Bond Street, W1; soft brown opaque tights by Marks and Spencer

Long mole jersey gilet, £149; long pin-tucked collarless wool shirt, £109; long, brown Jersey wrap skirt, £149. All Jaeger London. Brown suede *lace-up shoes, £89.50 by Russell and Bromley. Opaque tights by Marks and Spencer*

SEASONAL FOOD AND DRINK: THE BEST OF BRITISH

Tony Andrews

Worontschak (left) and Leighton: ignoring German recipes for English wines

# Wagga Wagga in Berkshire

***Jancis Robinson** raises her glass in appreciation of English wine*

"England is the least advanced place I've ever been to."

THIS IS the sort of thing that gets John Worontschak into trouble with fellow winemakers in England. And how about this extract from an article he wrote in last month's *Which? Wine Monthly* about his introduction to English wine: "On arrival in 1988, I tasted many bottles of weird-sounding wine – Reichensteiner, Schönburger, etc – all of which purported to have captured that delicate and crisp nature that only England's gentle summers can provide.

"What I had in my glass was generally thin, over-acidic, oxidised, phenolic and reeking of hydrogen sulphide. My lecturers at wine college used to doctor down wines to this standard and mark the bottles: 'For teaching purposes only. Do not drink'."

Worontschak's fax machine at Twyford in Berkshire has since been buzzing with incoming invective addressed to "Arrogant Aussie" and worse. He swears there are English producers he admires: Three Choirs in Gloucestershire, *for instance*. But what must be all the more infuriating for his critics is that Worontschak's English wines are so good, picking up a disproportionate number of accolades and awards.

They have done so by ignoring the German recipe used by most English producers and making dry, fruity, reasonably full-bodied, sometimes oaked, rarely aromatic wines. He has applied theory learnt at Wagga Wagga in torrid New South Wales – of all places – to England's quintessentially cool climate in which grapes have to struggle to ripen at all. This year, though, with its lack of warmth and surfeit of rain producing the worst vintage he has seen since arriving at Thames Valley Vineyards in 1988, should certainly test him.

It started when Worontschak, in his late 20s and having worked 17 vintages in three continents as a cellar rat and progressing towards becoming a consultant oenologist, had despaired of finding the right wine job in France and was working in tele-sales in London.

Out of the blue, he rang a much older Wagga graduate in viticulture, Jon Leighton, knowing vaguely that Leighton had returned to the English home counties where he had spent his youth. Leighton finds himself with 28 acres of Berkshire vineyard because "for some reason I went to the English Wine Festival in 1978 and haven't been quite the same since".

Leighton is a first-class empirical vine grower, forever refining his trellis systems and pruning regimes, but was in serious need of help in the winery. Ecco Worontschak. By the 1988 vintage, many thousands of pounds had been spent on the sort of materiel de cave that a modern Australian wine-maker demands: the gentlest of air bag presses shielded carefully from oxygen; a crusher that filters out the astringent stalks which Worontschak thinks mar so many other English wines; the filter that allows them the luxury of using only free run juice in their own bottlings and transforms the pressings into usable raw material.

But one small winery in some old Berkshire farm buildings was unlikely to hold Worontschak (ex-Penfolds, ex-Mondavi, ex-Beaune) for long. Thus was born the Harvest Wine Group, an association of about 10 vineyards all over southern England for which Worontschak helps make the wine, either at Twyford or on the spot. A recent visit during the vintage was punctuated by telephone messages for Worontschak such as: "He's got the grapes sitting in the press, but he doesn't know what setting he should have it on."

The full Harvest Wine Group range (of about 500,000 bottles in a good year) is sold by a third colleague based in another spartan outhouse at Thames Valley Vineyards. Maurice Moore also displays a degree of professionalism that is rare in the renascent but still miniature English wine business. The entire range is on sale here at ex-cellar, or farm gate, prices.

But he can also talk major multiples with the best of them and has negotiated own label English wines ches Tesco and Safeway for under £4 a bottle. The focus of the group, however, is on making money out of English wine by selling serious quality at serious prices, rather than bottled souvenirs on the tourist trail.

A new round of spending has therefore been embarked upon, on the champagne-making equivalent of one of those John Bull DIY printing kits sold in the 1950s and 1960s: lone automatic riddling pallet, mini disgorger etc. The long term aim is to transform more than half the Twyford grapes into bottle fermented sparkling wine (prizewinners on naming this stuff to be announced shortly).

This takes advantage of their innate high acidity and neutral flavours, while adding value (for which read price). They claim that their top of the line fizz Leightons, made from Champagne grapes to be released next year at about £12, has been taken for Bollinger by some Champenois.

Good on them. I have tasted only their lesser sparkling blend of English grapes, Ascot at around £9.99, and was less impressed by it than by HWG's admirable range of still wines, which I have served with pride.

Worontschak has been hired by Tesco to make 1993 wine on its behalf in the Czech Republic and will probably be working for the company in Cyprus, South Africa, and possibly even Tasmania, next year. Coals to Newcastle, surely?

■ Wines to confound sceptics: Stanlake 1992, Safeway £3.99; Heritage Fumé 1992, £5.49 Thresher next month; Mersea 1992 about £6.50 at Thos Peatling, Lay & Wheeler of Colchester and some branches of Waitrose; Valley Vineyards Fumé 1991 (English Wine of the Year), £7.99 Thresher Wine Shops and Bibendum of London NW1. All these wines are available from the Harvest Wine Group, Clocktower Mews, Stanlake Park, Twyford, Berks. Tel: 0734-344290. Fax: 0734-320914.

# Thirty young super chefs

OVER THE past couple of months two serious criticisms have been levelled t the standard of cooking in ritish restaurants.

The first came via Adele ias, chairman of the British ourist Authority, who, after a ur of BTA offices in Europe, ported that the most freuent inquiry from those planing to visit Britain is not conern about the weather but out the food.

These ungrounded *fears* ere given credence by a surey in *The Economist* on the ality of life in Britain. Resurant cooking here, it oaned, was not comparable that of France or Italy. It id Britain was a great place live if you liked "ethnic od" and fish and chips.

I do not wish to sound John illish but this is balderdash. ie improvement in cooking ills over the past 20 years is been as big as that in the uality of British produce.

Here are my top 30 "young" itish chefs with apologies for y omissions – it could easily have been 50. (Phone numbers are 071 unless stated).

■ LONDON

**Philip Britten**, The Capital Hotel, SW3 (589-5171). Smart British cooking and particularly good value at lunch.

**Stephen Bull's** Bistro EC1 (490-1750), Restaurant W1 (486-9696). A thoughtful and intense chef. The former site noisier, hotter but cheaper than the latter.

**Sally Clarke**, W8 (221-9225). The freshest produce, simply grilled. One chef who gives equal importance to salads and vegetables.

**Richard Corrigan**, Bentley's, Swallow Street, W1 (734-4756), is a chef with a talent for preparing pork.

**Johnathan Hayes**, Chinon, W14 (602-4082). An underrated and under-exposed talent.

**Simon Hopkinson**, Bibendum, SW3 (581-5817). Exquisite food in exquisite surroundings, unfortunately now at very high prices.

**Philip Howard**, The Square SW1 (839-8787). Modern, rather worked, food in a modern setting near Christie's.

**Martin Lam**, Ransome's Dock, SW11 (223-1611). A family affair. His wife works on the pastry section.

**Alastair Little**, W1 (734-5183). Exciting cooking, the benchmark for other British chefs.

**Rowley Leigh**, Kensington Place, W8 (727-3184). The number one in terms of quality of food to quantity of customers served.

**Mark and Max Renzland**, Le Petit Max, Hampton Wick (081-977-0236). Fabulous French food and great value prepared by twin brothers from Essex in the most unpretentious surroundings.

**Gary Rhodes**, The Greenhouse, W1 (499-3331). Not the founder of the oxtail, salmon fish cake and steamed pudding repertoire but one of its most eloquent exponents.

**Adam Robinson**, The Brackenbury, W6 (081-748-0107). Serving good food, Robinson is at the forefront of the culinary "ratpack".

**Bryan Webb**, Hilaire, SW7 (584 8993). An industrious Welsh chef often utilising the best Welsh produce.

**Marco-Pierre White**, The Hyde Park Hotel, SW1 (235-2000). Obviously talented. Will his new surroundings deliver calm and consistency?

**Anthony Worrall Thompson**, dell'Ugo W1 (734-8000), Bistrot 190, SW7 (581-5666).

■ REST OF ENGLAND

**David Adlard**, Adlard's, Norwich, Norfolk (0603-633522).

**John Burton-Race**, L'Ortolan, Shinfield, Berkshire (0734-883783).

**Paul Heathcote**, Heathcote's, Longridge, Near Preston, Lancashire (0772-784969).

**Sonya Kidney**, The Marsh Goose, Moreton-in-Marsh, Gloucestershire (0608-51981).

**Terence Laybourne**, 21, Queen Street, Newcastle (091-222 0755).

**Christopher Oakes**, Oakes, Stroud, Gloucestershire (0453-759950).

**Stephen Smith**, Restaurant Nineteen, Bradford, Yorkshire. (0274-492559).

**Michael Womersley**, Lucknam Park, Colerne, Wiltshire (0225-742777).

■ SCOTLAND

**Andrew Fleming**, One Devonshire Gardens, Glasgow (041-339 2001).

**Nick Nairn**, Braeval Old Mill, Aberfoyle, Stirling (08772-711).

**Andrew Radford**, The Atrium, Edinburgh (031-2288882).

**Ferrier Richardson**, October, Glasgow (041-9427272).

■ NORTHERN IRELAND

**Paul Rankin**, Roscoff, Belfast (0232-331532).

■ WALES

**Christopher Chown**, Plas Bodegroes, Pwllheli (0758-612363).

Christopher Chown: winning rave reviews in Wales

***Nicholas Lander***

Cookery/**Philippa Davenport**

# Shop until you drop for quality

AS THE old proverb says, you cannot make an omelette without breaking eggs. I would add that you cannot hope to make a really good omelette without good butter and good eggs.

Equally, you cannot expect to create authentic *quennelles de brochet sauce Nantua* without first tracking down a trustworthy source of fresh pike and freshwater crayfish. In other words, good cooking begins with good shopping.

If you know what to look for and where to buy it, you have the edge over other cooks. So, whether your culinary aspirations are modest or incline towards supercheffery, one of the first things you might sensibly put on your next shopping list is Henrietta Green's *Food Lover's Guide to Britain* (BBC Books, £9.99). This is a shopping primer by the greedy for the greedy, a directory of some of the best food producers and food shops in England, Scotland and Wales.

Like all guide books, this one is out of date in a few places even before it reaches the bookshops. The index is much less helpful than it might be. The boxed recipes that are dropped in here and there seem to me quite unnecessary. I find they distract from the main thrust of the book.

It is, I suppose, in the nature of an anthology to disappoint sometimes by omission and to raise queries about what is included. An anthology reflects the compiler's tastes, not the reader's, and Green displays an understandable urge to leaven her listings of well known and established producers and shopkeepers with less obvious names and new "discoveries". Some of them possibly more novel than great finds?

Maybe I am carping. The value of the book vastly outweighs its shortcomings. Green has packed in an impressive great deal of research and she uses her head as well as her stomach. This is not just a source book, listing addresses and services, though there is plenty of that. It is also – and this is the great forte of the book as I see it – richly informative about how various foods are farmed and produced. It is opinionated, very readable and fun, a book to dip into and to learn from.

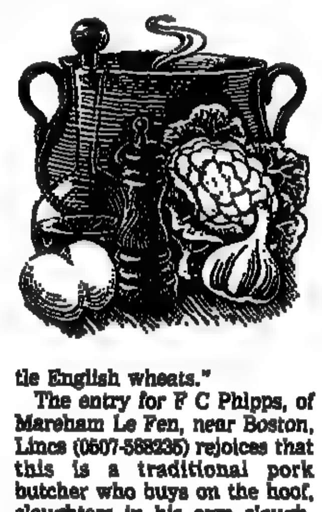
Now that many good food producers sell via special courier delivery rather than an expensive shopfront, Green's book should prove valuable reference for armchair shopping. The other natural home for the book is the car. Along with Ordnance Survey maps, restaurant guides and an up-to-date copy of *Historic Houses, Castles & Gardens*, I see it as part of the traveller's basic library for weekends away and holiday rentals exploring the countryside.

*Flicking* through the pages heightens my sense of wanderlust. I have half a mind to set off now for Charles Trollope's quince farm at Clay Barn Orchard, near Colchester in Essex. Or to St Ann's Well in Buxton, Derbyshire, where you can take your own bottles and fill them for free with mineral water.

Even more beguiling is the thought of visiting Coads Green, near Launceston in Cornwall, where Barbara Lake makes clotted cream and clotted cream butter entirely by hand using the milk of her eight Guernsey cows.

Nearer to home for me is the Oxford Pick-Your-Own Shop, Elsfield, nr Oxford, which Green commends for its unrivalled choice and for encouraging the customer to pick (or dig) young and small. The selection (according to season) includes globe artichokes, mangetout peas, round carrots, patty pans, yellow courgettes, green and ruby spinach, pakchoi, Florentine fennel, celeriac and pink fir apple potatoes.

At Shipton Mill near Tetbury, Gloucester,(tel: 0666-505050), she tells us, there are more than 30 different flours to choose from, "including four different grades of rye flour . . . and a ciabatta flour milled from a blend of hard American, Canadian and a little English wheats."



The entry for F C Phipps, of Mareham Le Fen, near Boston, Lincs (0507-588235) rejoices that this is a traditional pork butcher who buys on the hoof, slaughters in his own slaughterhouse, and makes fine hams, sausages, pies and Lincolnshire chine, a local speciality cut that is cured and lavishly stuffed with green herbs. It also tells the tale of Mr Phipps' adamant defence of Lincolnshire chine. He took on MAFF and the EC and won. Lincolnshire Chine lives on.

At Inverawe Smokehouses, Taynuilt, Argyll (08662-446) Green falls for trout roe botargo "bright orange with a mild saltiness and a delicate taste of fish . . . poor man's caviar but far more interesting than the ubiquitous lumpfish roe".

Some of her highest praise is reserved for fruit vinegars made by Martin and Aline Parsons of Womersley Crafts & Herbs, nr Doncaster, in Yorkshire (0977-620294). These are "serious vinegars". The difference between them and other fruit vinegars is "like trying to compare an industrially made balsamic vinegar with a traditionally made one. Basically you can't".

She gives the method, offers some suggested uses and lists the choice of flavours: loganberry, mulberry, blackberry, pink and yellow raspberry. Equally carefully made and intensely flavoured, from the same makers, are French tarragon and dark opal basil herb vinegars and a range of 11 softly set herb and flower jellies.

■ Note: where telephone numbers are given, items are available by courier delivery service.

# How Britons keep their bottle

***Giles MacDonogh** samples some beer . . . with a little help from his friends*

AS PART of a series of occasional beer tastings at the *Weekend FT* we cided to look at British bottled bitters and bottle conditioned ales. In the last few ars there has been a laudle tendency to want to put aditional British ales back o bottles and the results are cked by supermarkets as ll as wine chains.

n many cases the beers are simply bitters, pasteurised and carbonated to give them sufficient shelf life to please the supermarket buyers and then be run off into glass. Others are real bottle-conditioned ales to which the brewers add sugar and yeast to keep the beer fresh and lively until the moment comes to drink it; a bit like a cask-conditioned beer writ small. These were some of the best beers we tasted.

The age of tin has not yet passed, nor have the years of unrestricted canning helped traditional brewing skills: many brewers seem to have lost the knack of knowing how to keep beer alive in bottle. One can only hope that with time they will be able to iron out these problems. Only one beer in our tasting survived the introduction of tin and that was the legendary Worthington White Shield.

Once again the team was composed of Iain Loe from the Campaign for Real Ale; Max Wilkinson, *Weekend FT* editor; and myself. We tasted 26 beers and scored them out of 30.

1) 16.4. Samuel Smith's Imperial Stout, Oddbins £1.49. Something of a speciality drink: an old fashioned dry stout with a hefty 7 per cent alcohol. This beer put Wilkinson in mind of smoked duck, which is not as far-fetched as one might think, the beer is distinctly smoky with good bonfire aromas and a liquorice-like taste.

2) 15.7. King & Barnes Festive Ale, Oddbins £1.39. Our panel was deeply impressed by this authentic bottle-conditioned ale with its big, fruity aroma and taste.

3) 15.5. Batemans' Victory Ale, Oddbins £1.49. Brewed to assert the independence of this Lincolnshire brewery which has been plagued by takeover bids, this strong ale has complex aromas of malt and hay with a full, refreshingly fruity taste.

4) 15.3. Worthington White Shield, Tesco 79p. This much-loved old favourite has returned in a new bottle which seems to have been designed to prevent you getting at the yeast. The panel found a slight bottle variation but in the end there was considerable praise. I noted a yeasty fruity note: apricots and pineapple, almost like a German wheat beer.

5) 14.8. Shepherd Neame Spitfire Ale, Safeway £1.49, Tesco £1.39. This bottle-conditioned ale was originally brewed to celebrate the 50th anniversary of the Battle of Britain. Iain recognised the aromas of Kentish hops and praised its local character.

6) 14.5. Nethergate's Old Growler, Oddbins £1.89. This another speciality beer: a rich and powerful porter which had the team thinking about matching it with food.

7) 14.3. Shepherd Neame Original Porter, from Shepherd Neame pubs and select off-licenses £1. A lot of chocolate malt had gone into this porter to the point that Loe thought it was almost too chocolatey. Others found a big aroma of burnt toast.

8) 14.2. Eldridge Pope's Hardy Country, Safeway £1.25. A bottle-conditioned version of the popular draught. Our sample was slightly hazy from the yeast with deliciously big, fruity character.

9) 14. Tolley's Strong Ale, Considerable enthusiasm greeted this spicy, traditional ale.

Equal 10th) 13.8. Ridley's Old Bob Strong Pale Ale. This ale started out well with its malty, honeyed aromas and its full, banana-like taste, but it did not stay the course. We suspected it would be better for bottle-conditioning.

Equal 10th). Black Russian. Thresher, Bottoms Up, Oddbins, Waitrose £1.69. Brewer Jim Prior rediscovered this old English recipe which had been made popular in the Baltic States and recreated it. The result, according to Loe, is something between a mild and a stout.

It is certainly highly individual with a bouquet of cherries, blood, dust and burnt toast. A fine antidote to tasteless lagers.

Equal 12th) 13.3. Jennings' Cumbrian Ale. Wilkinson found this beer a little cloying with its toffee, banana and apple character but it went down well with Loe and me.

Equal 12th). Bishop's Finger, £1.39, Oddbins. A non-bottle conditioned version of the Shepherd Neame bitter; firm and long; BCA, Oddbins £1.39. The unlovable label of this beer came in for a lot of criticism but the beer in the bottle was approved. I found it spicy; Wilkinson discovered bananas.

The following ales failed to come in the first 12 but all, with the exception of the last two, found support from one or other of the team: Eldridge Pope Royal Oak; Moreland's Old Speckled Hen; Nethergate N; Bateman's XXX; Shepherd Neame's Master Brew; Thwaites Big Ben; Paul Theakston's Black Sheep; Wadworth's Old Timer; Belhaven's Premium; Caledonian's 80 shilling Natural; Banks' Mild; Federation Export IPA.

PROPERTY

# The enduring joys of Gloucestershire

***Gerald Cadogan** explores a county with Roman roots*

SHEEP have shaped Gloucestershire. Without them, it would not be the the attraction it is (despite the horsey exploits in Jilly Cooper's novels). For one thing, they have paid for the county's desirable residences, which the Romans were the first to build.

The National Trust's Roman villa at Chedworth shows how a working estate processed the wool. The reception rooms were heated to a standard not achieved again until this century, and were floored with mosaics. The Cotswold demand was enough to support a school of mosaic-makers in Corinium (Cirencester). A favourite subject for this Roman equivalent of the Wilton carpet factory was the Greek hero, Orpheus, charming the animals.

In the Middle Ages, the wool financed great churches like Fairford and Cirencester; the manors, rectories and farmhouses that are popular places to live; the stately homes; and the old market towns. The weekend retreats of Eurobond dealers in 1993 began as shepherds' cottages.

As buyers stream to Gloucestershire, it is hard to envisage the county as the depressed backwater it was between the first and second world wars. Employment was scarce in the villages.

Motorways have helped to change that, though. Tucked into the north-eastern angle of the M4/M5 crossing, and bisected by the Romans' Fosse Way that leads cross-country to Leicester, the county is accessible to the whole country.

Outdoor pleasures await. Even for hopeless shots, it is a joy to meet in a farmyard at 10 on a crisp winter morning for a day of tramping the hills in a rough shoot for pheasants. And gardeners can choose their Mecca, too. In the north of the county, near the picturesque (and touristic) Chipping Campden, the shrines of Hidcote and Kiftsgate sit as twins on either side of the road. Hidcote is on the high ground, Kiftsgate terraced into the scarp where the Cotswolds drop down into the Severn valley.

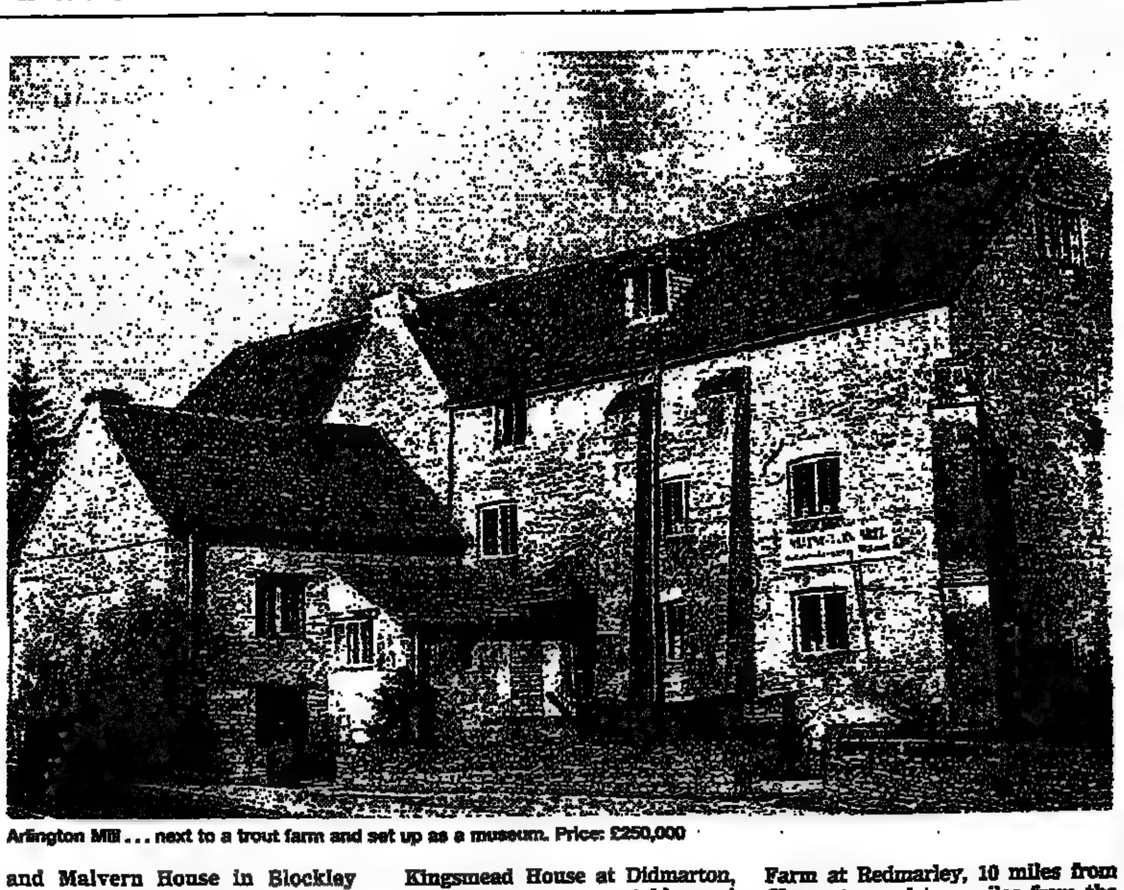
Demand is keen now for top-of-the-range houses, and prices often are higher than in counties to east and west. Some houses sell before they are ever on the market formally, such as the grade I Daneway House near Cirencester – medieval, with arts and crafts associations from the turn of the century – which Knight Frank & Rutley sold recently at more than the guide price of £700,000. The agent told 12 likely buyers – and three bid.

The middle price range has been moving more slowly in recent months, according to Antony Brassey, of Lane Fox in Cirencester. One on his books (with Strutt & Parker) is Rivermead House, on the edge of Lechlade, for £345,000. (The river is the Thames which rises nearby).

For the same price, Jackson-Stops is selling Fennells Home Farm at Lypiatt, near Stroud, with five acres and an annexe for help or granny. The house is a good example of Gloucestershire vernacular: roofed steeply, with warm-coloured stone walls broken by mullioned windows.

Leasehold flats in Sherborne House, an early-19th century pile near Cheltenham which was converted in 1982, could not be more different. Lane Fox offers one for £125,000 and (with Hamptons) another for £145,000. The leases have 988 years left at a ground rent of £20 a year.

Cottages and village houses are on offer from Hayman- Joyce, Hurley Lloyd Thorpe and Mallams. Two smart, late-Georgian boxes are the Old School House at Aldsworth, near Bibury (Mallams, £155,000), and Malvern House in Blockley (Hayman-Joyce, £245,000).


Arlington Mill . . . next to a trout farm and set up as a museum. Price: £250,000

Two interesting town houses are Church House at Moreton-in-Marsh (Hayman-Joyce, £185,000), well placed for the Tuesday market and eating at the Marsh Goose as well as for being devout next door; and the Old School in Cirencester (Lane Fox, £355,000), listed grade II with a large panelled drawing room which was the school room. The house goes back to late medieval times.

Kingsmead House at Didmarton, with three cottages, a stable yard and 10 acres, is ideal for those who want to hunt with the Beaufort and be close to the horse trials at Badminton. But there is also a good garden to look after, including a "house" with windows and doors clipped out of yew trees. Savills is selling it for £1.2m.

With an acre less, but only £320,000 from Humberts or John Goodwin, is the brick Witherdine Farm at Redmarley, 10 miles from Gloucester and two miles from the M50.

Glebe Farm at Saintbury, between Broadway and Chipping Campden, has 16 acres and costs £390,000 from Andrew Grant. Babdown Farm is a Victorian house near Tetbury with 214 acres (plus the chance to buy more) and barns with planning permission. It is on offer from Knight Frank & Rutley for £850,000.

From its new Cirencester office, John D. Wood is selling the Georgian Ferney Hill, a handsome house on the west edge of the Cotswolds, for £450,000. Melksham Court at nearby Stinchcombe is a large example of Cotswold vernacular, with 35 acres and a fine garden. Price: £550,000, from Bennett Jones or Jackson-Stops.

If you fancy a mill, four are on the market. Cheapest is Millers House, outside Lechlade, which is only a part of the mill on the river Leach (Mallams; offers over £120,000). The best known is Arlington Mill, on the river Coln and next to the trout farm in the much-visited village of Bibury. It was set up as a museum in 1966 and, if the buyer wants to keep that, some of the contents may be for sale. Lane Fox is asking £250,000.

The same agent is selling Siddington Mill, on the river Churn, for £445,000 and (with Savills) Shepards Mill, an old woollen mill restored in 1983 at Uley, in the west of the county, for £395,000.

■ *Further information: Bennett Jones, Dursley (0453-544 500); John Goodwin, Ledbury (0531-634 648); Andrew Grant, Worcester (0905-24 477); Hamptons, Burford (0993-823 636); Hayman-Joyce, Moreton-in-Marsh (0608-651 188); Humberts, Cheltenham (0242- 513 439); Hurley Lloyd Thorpe, Stow-on-the-Wold (0451- 830 731).*

*Jackson-Stops, Cirencester (0285-653 334); Knight Frank & Rutley, Cirencester (0285-659 771); Lane Fox, Cirencester (0285-653 101); Mallams, Burford (0993-822 666); Savills, Bath (0225-444 622); Strutt & Parker, Moreton-in-Marsh (0608-650 502); John D. Wood, Cirencester (0285-648 344).*

Cadogan's Place

# Deadline near for council tax appeals

HURRY, IF YOU have been thinking of appealing against the banding for council tax that your home was given earlier this year. November 30 is the deadline for submitting an appeal to your local authority, which will pass it on to the Inland Revenue's district valuer.

Eventually, he will examine the home, compare it with others in the neighbourhood and decide on the right band after discussion with you or your surveyor.

The Revenue hopes to settle most cases without tribunal hearings. That is sensible, as the sums involved (the £50 or £100 difference between the bands on the council tax bills) do not justify expensive proceedings. But it will take time. Up to the end of September, 700,000 appeals had been lodged in England and Wales and there is certain to be a final flurry in the next fortnight. Appeals submitted in April and May have often not progressed beyond an initial acknowledgement.

The number of appeals looks smaller, however, if compared with the more-than-21m abodes that have to pay the tax. Most home-owners must be satisfied – or, at least, are prepared to acquiesce in the rough justice of the new system which makes those who live in larger properties pay more. There have not been any revolts against paying similar to those after the poll tax began its short and troubled life.

Council tax is a simplified form of the old rates, based on a notional capital value in April 1991 rather than a notional rental value, as rates were. The task given the valuers (which were commercial firms) was to divide the country's homes into eight bands, from A (less than £40,000) to H (more than £320,000). The valuers were not allowed to go inside and, as their fees per property were not large, had an incentive to be quick. But they could consult the rating records (with details of square footage, bathrooms, lavatories, etc).

If you wish to appeal because you think your home is in the wrong band, telephone your local authority to find out its procedures, or go to a chartered surveyor who handles these cases. One such is Paul Lester, of estate agent (and surveyor) August & Lester in Banbury, Oxfordshire. He says: "After 30 years of looking at houses, I can say at once if it is worth appealing." If so, the fee ranges between £50-125 plus VAT, depending on the size of the property.

In discussion with the district valuer, the bandings of similar houses in the same street or nearby are the telling argument. Appeals are more likely in the lower bands, as they are narrower and so give more scope for misplacing a property. The biggest problem Lester finds, though, is explaining that the imputed April 1991 values are no more than that. They do not indicate what the house would fetch if sold now.

Some owners of larger houses have worried they are in too low a band, rather than the usual complaint of being too high. They fear this will affect the re-sale value of their property. Is there any substance to this? "No," says John Lowe, of Savills in Banbury. "Nobody in their right mind would buy a house based on its banding." If the band is less than you expected, that is your good luck.

Appeal if the band seems too high and if it is worth the cost but do not worry if it seems too low – that is the agents' message.

* * *

NOVEMBER 30 is also the day of the first autumn Budget. It is hard to predict how it will affect the property market, which has not advanced as fast as many agents expected in the summer except for very expensive houses. There have been some premium prices for these because the supply is still short, as a market survey from Lane Fox reports. Buyers fear that if they do not secure a place now, it will be some time before an alternative is available.

Such attitudes should encourage more potential vendors to chance the market. And it could help those who have to move for family or job reasons, and have the worry of possible negative equity, not to think so much in terms of pounds and pence but of bricks and mortar. They may receive less for their house – but the new one will cost less. Currency is not an absolute criterion.

If you need to move but feel hamstrung, discuss the matter with your mortgage provider; there might well be a solution. With the present level of demand, good houses are selling quickly. Why you have to move, and where you want to go, are quite as important as what your present place will fetch.

*Gerald Cadogan*

## LONDON PROPERTY



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## FORESTRY

# London's last flower show

*Robin Lane Fox enjoys a final riot of colour and finds inspiration for the winter*

I HAVE just heard the last bell of the season; from now until the early crocuses, London's flower shows will be hibernating. Their year ended with a memorable burst of colour. But it emphasised, once again, that keen gardeners miss most of the possibilities if they go only to the Chelsea show and miss its lesser relations.

When the signal sounded, the exhibitors scrambled to pull their stands to bits. Ladies with small shopping bags made off with the last of the cut flowers and nurserypersons dragged their exhibits out of the peat and hustled them off to the Transit van. It all reminded me of end of term at a boarding school. During the term, nonetheless, the British lead the world in staging a flower show. And over the past fortnight, we have all enjoyed the most spectacular autumn colour for a decade. The evening greyness was gathering round Westminster but, inside the Royal Horticultural Society hall, you could only wonder why our gardens have started to look dreary.

There was more to the occasion than Korean chrysanthemums and cotoneasters with red berries. There were blue Chinese gentians, hardy winter cyclamen from Cos, pink Kaffir lilies, and the brilliant red leaves on azalea Nancy Waterer. Shows raise our notions of the possible; the weather and whitefly do otheir best to dash them. My winter ambitions have been rising as the sap has been falling: this final fling at a flower show has given them a new impetus.

In November, many front gardens have seen the light already, but the shining example for the rest of us is the family of winter-flowering viburnums. We all know the tall, white pink forms but I am always on the look-out for the small Viburnum farreri namum because it is only 3 ft high. It would be excellent in a front garden or a confined space in the town if only it was predictable.

Sometimes, this lovely Chinese shrub is covered in scented white flowers; at others, it is nothing but leaves. I have now found the answer: apparently, there are two forms of this small shrub in the trade and one of them is shy-flowering. You discover the facts behind the news if you ask questions at shows: I asked Starborough Nurseries, Marsh Green, Edenbridge, Kent, which has seen both forms but lists only the performing one at £6.50 each.

Starborough also tantalised me with its liquidambars. These trees are much on keen gardeners' minds because they have just finished colouring beautifully. They have fingered leaves, like maples, and the best of the well-known forms grow to a manageable width and turn to an unusually deep shade of brown-red. I would always want one in a small area of rough grass or natural shrubbery, but there are problems. Sometimes, the plants do not colour properly, and many people say that they will grow only on acid soil.

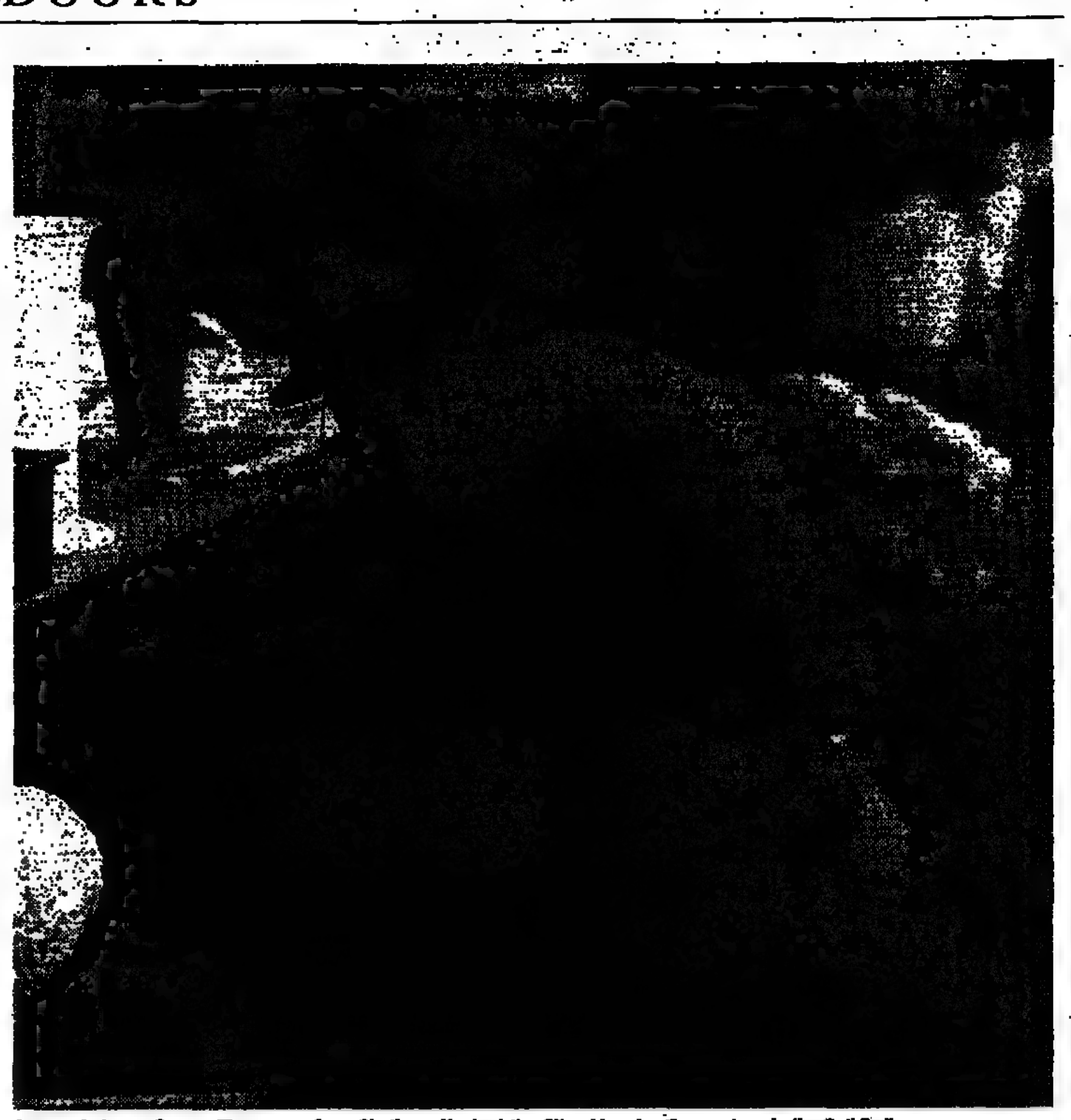
Once again, I have better information. The colour is much more reliable if you buy a correctly named form. Starborough sells the true deep red-brown Worplesdon, whereas other nurseries may sometimes be supplying seedlings of unproven merit instead. On a lime soil, there is still hope for some of us. We should dig out a square hole about 3 ft wide and deep and fill it with lime-free compost. Liquidambars will establish themselves in this lair and will then tolerate a lower layer of lime or chalk.

I wait to see if this treatment will suit some of the newly-found and unfamiliar species which Starborough is about to distribute. Two varieties, acalycina and formosa, are trees with a promising future and planners of collections and arboretums should check them out as soon as possible.

Acers turned up in their usual quantity from Mallet Court Nurseries, and one of the main displays of semi-hardy chrysanthemums came from Home Meadows Nursery. Among their bright leaves and colours, though, my eye kept lighting instead on evergreeen skimmias. These plants will certainly grow on lime, although not so luxuriantly as on lime-free soil. They are winners in semi-shade, along drives or in spaces which link a house to its garden. They also thrive in towns.

Not that skimmias had everything their own way. Wild gladioli soon drew the attention away from their muted white; Carol Klein had plants of the newly-found Corydalis flexuosa in full china-blue flower. We all made a bee-line for her hardy pink chrysanthemums when the bell rang, and I added in a rusty-brown one with small button flowers called Dr Tom Parr. Seeing is believing with these unusually-named varieties of familiar families: a show is the moment to decide, especially while most of the public are queuing to dismantle the more over-sized Korean varieties which will not survive a cold or wet winter outdoors.

The British may know how to run the best show – but they also know how to dismantle it in 20 minutes flat. I left into the grey, high-rise concrete of London's Victoria wondering if it had really been true – a haze of late-berrying sorbus and pink-flowered lilies in the dark twilight of the year. At the bus stop, somebody bumped into my newly-bought schizostylis and bent its last flower buds. The evidence was there in my hand, although looking rather more battered than it had only half an hour before.



Autumn indoors: George Thompson, from Chatham, Kent, at the City of London flower show in the Guildhall

Fishing / Tom Fort

# Drift netting – the shame of England

I HAVE a friend, rich and powerful beyond the dreams of avarice and ambition. There was, however, something missing from his world. He had the ears of ministers, the respect of the makers and shakers of our society. Opinion-formers bowed respectfully at the mention of his name. But he could not catch a salmon. He travelled to celebrated waters, watched the fish jump over his fly – and returned empty-handed. He learnt, to his displeasure, that salmon paid no heed to wealth and reputation.

This autumn, my friend was invited by a friend – a man equally powerful in his field – to a famously prolific Scottish river. I told him that if he failed again, he should think about giving up the rigours of salmon fishing and stick to something less demanding – such as feeding his koi carp. He agreed; it was make or break.

The prospects, though, were grim. North-east Scotland was in the grip of a mini-drought. The water was dead low and the famous river was showing its bones. The sun beamed down and the fish were stale and scarce.

I should explain that, while my friend was on the Naver, I was in Ireland, catching nothing on the Blackwater. I shall, therefore, skim over the details of his exploits (although, should you bump into him, he will be glad to fill you in). Suffice to say that he caught two fish, one after another, and no one else caught anything. So now he is rich, powerful etc etc – and a successful salmon fisherman. It is intolerable.

He would tell you that his success was due to persistence, self-belief, and skill, My version – possibly tinged by envy – is that it was a pure, outrageous, undeserved fluke. The truth probably lies somewhere in between. The truism is that he caught fish, in hopeless conditions, because the fish were there.

For the Naver, like many other Scottish rivers, has had a fine season; reminiscent, almost, of the great days of the 1950s and 1960s before disease and gross commercial exploitation brought Scottish salmon fishing to its knees. The weather largely was favourable and the fish were back in numbers.

Tremendous strides have been taken to protect the dwindling stocks of Atlantic salmon – and just in the nick of time. The chief hero is an Icelander called Orri Vigfusson, a man of demonic energy and magical persuasiveness, who has made the salvation of the salmon his moral crusade. He heads the North Atlantic Salmon Fund, and his most recent coup has been to negotiate the suspension of the Greenland drift-net fishery.

Drift-net fishing involves stretching a huge net – up to 50 miles long – across the salmon's known migratory routes. It can easily annihilate a whole migration, depriving distant rivers of most of their annual intake of fish. It is atrociously destructive and – in the age of salmon farming – wholly unnecessary. Greenland now has joined the United States, Canada, Norway, Iceland and Scotland in banning drift-net fishing.

And what, you might be wondering, is the British government's position on the infamous matter of the English fishery, which operates off the north-east coast and accounts each year for up to 80,000 salmon heading for Scottish rivers?

If inertia and indifference constitute a position, that is the British government's. John Gummer, as minister of agriculture, presided over a deal to phase out the north-east fishery. It was hailed – by me, among others, I'm sorry to say – as an important step in the right direction. It turned out to be nothing of the sort, for it allowed the existing licence-holders to continue their depredations for years to come.

I have no particular urge to join the queue of those wishing to put the boot into Gummer, who has moved on to higher things. But the fact is that the only remaining legalised drift-net fisheries for Atlantic salmon in the civilised world are those off the north-east coast of England, and the west coast of Ireland.

Within the past couple of months has come the news that the Irish government is considering banning its fishery. Dublin finally is coming to realise that vastly greater economic benefits spring from exploiting salmon as a sport resource than from putting them in tins.

This month, a petition calling for an immediate end to the north-east England fishery is being handed in at 10 Downing Street. Thanks to men like Orri Vigfusson and a host of other campaigners, the prospects for the Atlantic salmon are brighter now than for many years. Is it too much to hope that Gummer's successor, Gillian Shephard, should rouse herself and erase a shameful blot from her government's conservation record?



Skiing

# Snug in Courmayeur

*Arnie Wilson on an enjoyable return to Italy*

THIS IS the winter of Italy's great content. At least it will be if the snow is as fulsome as the bookings. With the lira as weak as the pound, Italy has rarely seemed such an attractive option. It was due for a renaissance.

When I am asked by those who have never skied there to recommend a resort for an all-round winter holiday with reasonable skiing and atmosphere, I usually take the easy option and plump for Courmayeur, the little resort with a big heart and an even bigger cable-car.

"You are pleased you have chosen Courmayeur, aren't you, smarty?" asks the smug tourist office literature. Although it failed by several whiskers to get into my Thomas Cook International guide to Top 60 Ski Resorts four years ago, I have such a soft spot for Courmayeur that I might think differently now.

Charming, old back streets remind one of a set for an Italian opera: you half expect Don Giovanni to appear from an upstairs window. It is one of those rare Italian resorts that seems to have some of the best qualities of alpine villages; superb scenery, rustic streets and buildings, *gemutlichkeit* and terrific food.

When I first skied Courmayeur 18 years ago it seemed perfect for a 32-year-old near-beginner with much more strength than technique. Although I took my first thrilling but faltering turns in powder there, I later began to find the runs a little limited. It was, I decided, a pleasant, bijou resort without sufficient skiing to entertain the more advanced skier, which I was convinced I had become.

For a while Courmayeur drifted into a remote backwater of my brain, remembered with affection but not much inspiration. Then I discovered two assets that had gone unnoticed in my formative skiing years: food and Mont Blanc (in that order.)

At 32, I had been so drunk on the joys of skiing that I used to skip lunch regularly in the interests of plunging down the Internazionale or Competizione and getting a good suntan (encouraged rather than frowned on in those days.) Lunch, I knew, could drive a massive hole in your day's skiing, starting, as it often did, at 12.30 and lingering until 2.30 or 3 pm.

As I got older, less gung-ho and slightly wiser, it dawned on me that lunch on the mountains in Courmayeur could be a many-splendoured thing: the mountain restaurants are delightful and the food simple but splendid. Then I finally twigged that the Mont Blanc massif, far from being just an awe-inspiring but untouchable part of Courmayeur's scenery, was actually accessible. The Mont Blanc experience could be "bolted-on" to the local skiing. Suddenly Courmayeur seemed to have moved from a powder-puff second division resort to serious premiership material.

There is an Italian version of Chamonix's famous Vallée Blanche, for example, reached from nearby Entrèves. Three consecutive cable cars bring you to the spectacular Punta Helbronner (11,254 feet). From here the descent to the start of the Vallee Blanche is steeper than the French side but at least there is no unnerving ridge to negotiate. From the same starting point, you can ski the Toula Glacier, a much more testing descent.

This was one of the reasons why Carol Thatcher, journalist daughter of the former premier and a gutsy skiing companion, came down to breakfast in Courmayeur last spring and joked that she was sending a note "home to ma" to tell her where her savings were in case she fell down a crevasse.

She asked if someone would ski with her rucksack for the day because it was heavy with the entire group's salami sandwiches, adding: "Do be careful because it's got all my notes in it." To which one wag retorted: "Carol, you'd better send another note home to ma saying: 'If whoever skies with your rucksack falls down a crevasse, please rescue notes!'"

The approach to Tula is only marginally less nerve-racking than the ridge on the Chamonix side. After skiing down a short but very steep cliff above a small bowl (there is a rope option that you may prefer) you must negotiate a long flight of wooden steps. Once down, there are a number of alternative routes. Your guide will endeavour to choose the descent with the best snow conditions. Tula provides just the right amount of challenging skiing and wild, desolate scenery to interest a reasonable off-piste skier, complete with narrowish gullys and gloriously wide-open terrain. In addition, heliskiing is available.

We enjoyed some particularly exhilarating heli-skiing on the glacier de la Lex Blanche, which is not often skied and only made available to us because the normal heliskiing areas at Tête de Bernard, Col Malatra and Col d'Arp were not experiencing such good snow conditions as usual.

Our guides – who had not skied the area themselves for some time – tempered bravado with sufficient caution to keep our nerves taut as we gingerly negotiated our way down.

Although we could not see them, crevasses were strewn out beneath us, concealed by the snow. Our guides were certainly earning every lira of their wage packet that day: it would never have done to lose Lady Thatcher's daughter or even Paul Chase-Gardner, managing director of Bladon Lines, in an icy tomb. As it was, both he and Carol's rucksack, complete with sandwiches, survived the day, as did Thatcher and her notes.

■ Arnie Wilson's visit to Courmayeur was organised by Bladon Lines, 56/58 Putney High Street, London SW15 1SF. Tel: 081-785-2200.

■ See Section III for *Pink Snow*, the FT's guide to skiing.

You can get drunk on the joys of skiing

Skishoot

SPORT AND MOTORING


High rollers: the crew of Intrum Justitia cope with the Atlantic swell

Rick Tomlinson

Sailing

# The new boys prepare for the rough stuff

*As the Whitbread fleet sets sail for the roaring forties, **Keith Wheatley** looks at the skippers*

SCIENTISTS who run tank-testing programmes to evaluate hull models for ships and yachts have an expression for real life. They call it "full-scale". Nine lightweight W60-class yachts in the Whitbread race today go "full scale" amid the ice and gales of the Southern Ocean on the 7,500 second leg from Uruguay to Western Australia.

These water-ballasted sloops blast downwind at around 25 knots. As yet there is no collective experience of how the boats will perform surfing down waves the size of apartment blocks ahead of a 40mph wind for nearly a month. Chris Dickson is one of the few people with a clear idea.

Dickson skippers *Tokio*, first leg winner from the W60 class. Earlier this year the crew took Tokio deep south from their Auckland base into the world of bergs and albatross. "We had several days of 55 knots of breeze across the deck. One of the guys had done three Whitbreads and said he had never seen conditions like it," said Dickson, at 32, arguably the world's top sailor but taking part in his first round the world race.

"I surprised myself that I didn't mind the wet, cold and discomfort," said the Kiwi helmsman who is seen by some as the archetype of the "attaché-case skipper". This mythic figure moves airport-regatta-airport, in an aura of detachment.

If anyone is seen as part of this breed it would be Britain's top sailor Lawrie Smith. He was gazetted as the replacement skipper for the pan-European W60 entry *Intrum Justitia* just a few days ago.

Like her original skipper, *Intrum* had a disappointing leg. Roger Nilson is now in Stockholm recovering from a knee injury which obliged him to withdraw from the race. *Intrum* finished in Punta del Este lying fifth in her class, poor in relation to her known potential.

Nilson is a doctor by profession, rather than a full-time sailor. Nilson is a Whitbread veteran, one of the old guard. He has completed four Whitbreads. Smith, 36, is simply a flat-out racer he won five dinghy world championships and skippered an America's Cup yacht by the age of 22. This is his second Whitbread.

Smith's arrival to turn *Intrum* around is a measure of how this race has changed. The "hand, reef and steer" of the seamanship manuals has become 32,000 miles raced through appalling conditions virtually in sight of one's opponents.

"It used to be 'safety first' and we'll worry about the opposition later," said Smith. "Now it's 'Get the spinnaker up and to hell with the consequences'." He started this Whitbread in the radical maxi-ketch *Fortuna*, but she withdrew after the giant mizzen gennaker ripped the aft mast out of the yacht in a gale off Ushant – just two days out from Southampton.

Spinnakers and the size thereof has rather a heated subject on the dockside at Punta. Three years ago race officials, anxious to protect the prestigious 80ft maxi class from the potential humiliation of a defeat by their new little W60 sisters, took a policy decision: they would "speed limit", through technical regulation, the smaller yachts.

Angry W60 sailors refer to it as "towing a bucket". On this leg, for instance, the W60s will be restricted to spinnakers half the size of the masthead kites they used on Leg One. Safety is the ostensible reason but in every previous race the decision over how much sail to carry safely has rested with each skipper.

"We've thought about arguing it through but we're not so stupid as to fight a losing battle," said Dickson. "If a W60 wins coming into Perth I expect they'll invent new restrictions before we set off on the third leg. I am quite bitter about it."

Official plans to have a maxi as overall winner only just avoided Dickson subversion on leg one. He finished just three hours behind Kiwi rival Grant Dalton at the helm of the 84ft ketch *New Zealand Endeavour*. So keen is Dalton to reduce weight aboard that the yacht's interior remains unpainted in order to save 30kg or so. The black carbon fibre finish resembles a minimalist Manhattan apartment – with about as much comfort.

Dickson's weight-saving campaign is aimed more at the crew. "It's democratic. Every one was given a choice whether they brought seaboots or shoes," explained the skipper. "It was hard on Jacques Vincent who lost a shoe over the side on Day Three but we lent him footwear when appropriate."

Asked whether it was true that in a regime worthy of a U-boat commander, Dickson had banned books aboard *Tokio*, the skipper replied: "There are several volumes. We're all now familiar with the water-maker manual and the emergency signals at sea," added the man who found Japanese humour much to his taste during two years heading the Nippon America's Cup challenge.

Wild-eyed and elated after winning the Heineken trophy for the W60 class in the first leg, Dickson stepped ashore and declared that on the evidence so far, "The Whitbread is three times more exciting than the America's Cup."

"He only thinks that because he's never won the America's Cup," growled his old opponent Dennis Conner, skippering Winston which finished fourth into Punta. "Let's talk again in 32,000 miles time and see who looks bright?"

Rugby Union

# Jersey that built a team

***Derek Wyatt** visits an ambitious club with luxurious facilities*

LAST NIGHT, the club's four top XVs trained until late. Each team had been designated one of the four floodlit training pitches. There was a coach and a team manager watching each side go through its paces for Sunday's games.

Other facilities on the club's 45-acre site include a sports shop, a restaurant and bar, full-time medical support, accommodation, beach volleyball, tennis, a golf range, and a basketball and volleyball arena.

After training, the first XV held an impromptu karaoke evening with wine, cheese and salami provided by club stalwarts.

This morning, the forwards will go through some line-outs at the main ground. When the side assembles for brunch tomorrow at an exclusive tennis club, the players will mentally rehearse their play and discuss the opposition. They will then make their way to their ninth league game of the season knowing that a loss will deprive them of the leadership of the first division.

The club is A S Benetton Rugby TV. The TV stands for Treviso, a small, elegant town near Venice. Benetton, as it is more familiarly known, would sit easily in the first division of the Courage League in England.

Its facilities are the best in the world. When I watched Benetton earlier in the season against Milan, the team played a fluid and intelligent game although it struggled in the line-outs. At the start of the season, Benetton beat Gloucester at home; last year, the club lost by three points to Bath.

Being so closely identified with Benetton poses problems. Benetton is Treviso. It has grown from a small clothing venture into a global brand and, along the way, the family has grown and accommodated similar business cultures including Nordica (ski clothing and ski boots), Prince (squash and tennis), Sisley (leisure clothing), Nitro (golf balls), andLangert and Grafalloy (golf clubs).

The assumption is that Benetton Rugby is flush with money, that all its players are lire millionaires, and that there is a benefactor who will pay until success arrives. This is not the case.

Fabrisio Gaetaniello, capped 39 times by Italy and its captain from 1974-1983, is the sports director for rugby at the club: "Our contract with Benetton is renewed annually with Luciano, one of the three Benetton brothers. They are not our only sponsors but they do give us somewhere in the region of L700m (£290,000) each year, about a half of what we need to run our club.

"But we have nine or 10 sides each week. We have a fully fledged schools programme in the region and supply coaches and coaching to eight of them; we're dealing with 300 juniors from the age of seven and upwards.

"Plus, we have a newish stadium to support. We have built two stands to hold 12,000 spectators and we have plans to develop further."

Success is what Benetton TV craves and it has been prepared to go to the market place and attract the best coaches and players. Until 1992, its coach was Pierre Villepreux; under him, the club won the championship.

The new coach is Wayne Smith, a former All Black fly-half. He has immersed himself in the local culture and can speak and correspond in Italian. (The Italian Rugby Federation has just appointed a French coach to the national side who cannot speak a word of Italian). In Smith's first season, Benetton lost the championship final to Milan, its arch-rival, for which David Campese used to play – he has now been replaced by Jason Little.

"In New Zealand, so much of rugby is automatically inherent. Here in Italy, there isn't that tradition," said Smith. "Rugby is not 100 per cent in their culture even though, in Treviso, it is the main sport.

"My job is to create a winning side and, at the same time, plan the supply of future generations of local players. The locals love the game here and it is the main topic of conversation at the bars. At the same time, although they talk fondly about it, they might struggle to know where the hooker plays.

"As a consequence, although we are allowed only two overseas players per team, they always occupy the decision-making positions. We have Michael Lynagh returning to us this week and I brought in Rob Penney, the Auckland No 8, to bring some dynamics to the forwards."


Italian job: Lynagh of Australia and Benetton

Talk of Lynagh invariably raises the question about how much players from the southern hemisphere are paid to play in the north.

"Michael is not paid by Benetton Rugby club," said Smith. "And, when John Kirwan played for us, he also was not paid, either. I have read that these players are on contracts with us at so much a game. This is absolute nonsense. J.R. did not play in the first Test against the Lions because he wanted to play for us in the final against Milan."

Kirwan, who is married to an Italian – Lynagh is about to follow suit – has a business in Treviso; Lynagh works for the main company, Benetton, in public relations. Is this any different from all those English and Welsh first division players who hold nebulous positions in "public relations"? I am not sure how "jobs for the boys" translates in Italian, but this is how all the leading clubs in the world now work.

Smith's wish is that the Italian clubs become involved in the planning of a European league.

"We need more sides from the UK and France to play us," he said. "After all, it is quicker to travel to London, Cardiff or Edinburgh than it is to play Catania in Sicily."

This, and the need for an overhaul of the Italian league structure so that it is more competitive, is what keeps Smith involved. When he returns home, you can be sure the club will continue to think big. My guess is that Bob Dwyer, Australia's coach, will top their list.

Llanelli has provoked the Welsh and English rugby unions to open discussions for an Anglo-Welsh league. This would be the saviour of club rugby in Wales. It would not offer the big English clubs sufficient incentives, nor enough fixtures of merit. England must look to the continent of Europe as well. It is a European Cup, including French and Italian clubs with the English and Welsh, that is required.

Motoring/**Stuart Marshall**

# Wiping the cheats off the road

*Readers suggest ways to deal with the unlicenced and disqualified*

RESPONSIBLE British motorists who tax and insure their cars are enraged by he way a minority puts up wo fingers to the law and gets way with it.

Four weeks ago, this column noted that driving while uninsured or disqualified no longer eemed to be regarded as serious offences. So much so that he Association of British nsurers estimates 5 per cent of ll drivers – more than 1m people – do not have cover. They eel the risk of getting caught s slight, and the money they ave by not buying insurance nakes the chance worth aking.

When they are involved in ccidents, innocent parties suffer financially. Generally, punishment for uninsured driving nd for using a car while disqualified rarely fits the crime. I thought it high time these anti-social offences were taken more seriously and suggested that changing the law to allow offenders' cars to be seized and sold might be a good idea.

None of the readers who have written to this column has disagreed. A retired solicitor, James Inglis of Edinburgh, spoke for many when he wrote: "If a law is to be respected, it must be enforced without fear or favour. Penalties should be severe enough to act as an effective deterrent, and I can think of none more appropriate than the seizure of an offender's vehicle."

Most correspondents felt that catching the uninsured (and often unlicenced and even disqualified) driver was a question of will, and that not enough was being done. Proposals put forward included:

■ Local authorities should be encouraged to take powers to impose penalties on owners who leave cars without tax discs in their car parks.

■ Untaxed cars left on public roads should be clamped or towed away and released only if driver's licence, vehicle registration document, tax disc, insurance and MoT certificate are produced within 14 days. Failing this, the car to be seized and sold.

"If this service were privatised, with a bounty for every car legitimately impounded ... we would witness a revolution in resolving this aspect of open criminal activity overnight," wrote Les Bennett, of Bingley, West Yorkshire.

■ Police should concentrate on catching uninsured and unlicenced motorists "instead of routinely harassing otherwise law-abiding ones breaking speed limits where no real danger is involved."

Robert Street of Woking, West Sussex, complained that his local police had ignored his request to check all parked cars on a local estate where at least one in 10 had no tax disc. "I hope you will continue to campaign against the egregious complacency of both police and authority in general," he wrote.

Many writers expressed a common grievance. They are convinced there is some kind of hidden agenda in which officialdom (the Home Office?) has told police to go easy on tax-dodging, uninsured motorists - the New Age travellers, for example. They resent having to pay ever-higher insurance premiums and feel that if a minority genuinely cannot afford the cost of motoring legitimately, it should not be driving cars, anyway.

If all readers who feel aggrieved write to their MPs, it might get the ball rolling.

**THIS IS the new Seat Ibiza, smaller than an Escort or Astra but larger than a Corsa or Peugeot 106 and exceptionally keen value with three or five doors. Prices range from £8,895 for a 1.3-litre three-door to £11,250 for a two-litre GTi which, remarkably, has an insurance group rating of only 10.**

**For several years, Seat has been part of Volkswagen. The *Ibiza* is the first entirely new VW Group car to be conceived and built outside Germany. It has the solid construction typical of VW products and seats four adults comfortably with plenty of luggage space. The long wheelbase ensures that it rides well.**

**The two I have just sampled were the cheapest 1.3-litre CL and a 1.9-litre diesel (£7,595), also a three-door.**

**I found the driving position excellent, the five-speed gear-shift delicately precise, and both handling and road-holding well up to class average. Overall gearing was fairly low, making for lively acceleration, good hill-climbing and flexibility in town.**

**I thought the CL would appeal to young buyers who would have liked, but could not afford, a VW Golf as their first new car. The quiet and vigorous diesel, with power steering as standard, kept up with the motorway pack and seemed prepared to go almost anywhere in top gear.**

**Long-distance commuters who do not have company cars, and anyone who has to count motoring costs carefully, would find the Ibiza diesel worth looking at.**

***S.M.***

BOOKS

# All sacrificial blood and death

*By conquering the Aztecs, Cortés destroyed the most vile society ever devised says* ***J.H. Plumb***

THIS VAST book, the result of long years of reading and note-taking *in seemingly endless* archives scattered across cope and America, is densely detailed. Indeed Lord Thomas is ruthless in the pursuit of detail. Our knowledge of the Aztecs civilisation or the Mexica, as he prefers *to call them, has grown, especially* since the second world war, at an unbelievable rate. Their language is now read; the structure of their empire understood; their complex barter systems and the sophistication of their neolithic society fully *understood. Although there are* many new discoveries, fundamentally the story which Thomas tells is that of Prescott, who wrote his great work on the conquest of Mexico 150 years ago.

Ultimately for the detailed account of the conquest, all historians are forced back, time and time again, to the letters that Cortés *wrote to his* monarch Charles V, King of Spain and to Bernal Diaz's reminiscences in old age. Naturally Cortés's letters were written to impress, to justify, to inflate the triumph which Cortés had achieved for Spain. As a lawyer as well as a *conquistador, he was determined* above all to give a legal justification to his conquest, in order to avoid charges of piracy or theft.

So Cortés lined up bunches of Aztecs, spectacular in their feathered headgear and painted faces, totally mystified as he made them swear an oath of fealty to Charles V. Of course, it impressed the *Indians: they were used to rituals,* indeed their lives were ruled by them. So this ritual, bordering on the farcical, had indeed significance. It gave Cortés the authority which he used at once. (It was not much different to buying Manhattan *for a few pence from its native* Indians).

The Aztecs had great doubts about who the Spaniards were. They could be gods, or demons, or just super humans with strange weapons. The horses, not many, about 17, were *fearful;* the cannon, very few, terrifying; the razor sharp steel and impenetrable armour were easier to understand. Great as these Spanish advantages were, they were as nothing compared with the supreme authority which Cortés assumed at once.

THE CONQUEST OF MEXICO
**by Hugh Thomas**
*Hutchinson £25, 811 pages*

That stunned and bewildered Montezuma. God or no God, Cortés was incomprehensible. *He* paralysed his enemies. Gradually, of course, the shock, the terror, *diminished. And Cortés had* fabulous luck, which is always necessary for heroic enterprises. All of these matters Thomas describes with measured wisdom, combined on occasion with a sly humour that jolts the complacency of the reader. *His story of the conquest, how it* happened and why it happened, carries total conviction. He makes what seems like a miracle comprehensible.

Certainly he does what he can for the Aztecs. He quotes some haunting poems *to prove their sophistication, poems that stress the agonising* brevity of life, of love, of suc*cess but such poems are common to* neolithic or early bronze age societies – they abound, from the Han to Sumeria.

Against the Aztec practice of human sacrifice and cannibalism, they weigh as light as a feather. *Cortés destroyed the most vile society* ever devised by man. The Aztec's failure in battle was due partly to the priority they gave to capturing alive Spaniards and their Indian allies, rather than killing them. They ate all they caught, *everything bar the head and torso.* Calling the pulsating heart streaming with blood "Precious Eagle Cactus Fruit" is revolting and describing death by being hacked to pieces by a flint-knife as "dying like a flower" is grotesque.

Walking in the great museums in Mexico City nothing – nothing in the world – is so horrible, so revolting as the constant theme of *sacrificial death and festive* cannibalism.

Certainly the Aztecs embroidered beautifully, their feather work incomparable, their craftsmanship in gold exquisite, but it was an empire best destroyed and obliterated. *The relief of their Indian subjects* was almost as great as that of Cortés when he finally captured Tenochtitlan.

No society has wallowed so deeply in sacrificial blood or devoured with such gusto the flesh *of its victims.*

# Motivated by the heroic and the erotic

***Anthony Curtis*** *on Rodin and his monumental works*

TOWARDS THE end of his career Rodin acquired a following among famous and fashionable people in Edwardian England. One of the earliest to perceive his genius was the poet W.E. Henley, coiner of the phrase "bloody, but unbowed" – a highly Rodinesque sentiment. Rodin carved portraits of prominent Tory politicians like George Wyndham and Charlotte Shaw commissioned Rodin to make a bust of her playwright husband. The Shaws went to Rodin's studio at Meudon and despite the language barrier the two geniuses got along splendidly.

Rodin's young secretary, who happened to be the German poet Rilke, marvelled at Shaw's energetic way of posing, "... his whole personality seems to become concentrated essence". Rilke invited the American photographer Alvin Langdon Coburn along. Not content with just having his portrait sculpted, Shaw insisted on posing in the nude in the manner of Rodin's "The Thinker". Coburn's photograph of this piece of Shavian effrontery is reproduced in Ruth Butler's thoughtful new biography, *Rodin: The Shape of Genius.*

The photograph may be seen as an icon of the whole Rodin story. Shaw believed zealously in the Superman, and it was Rodin who gave the idea of the Superman palpable form in his public monuments, blending realism and grandeur. Some of these were of heroic figures from contemporary life, Victor Hugo and Balzac. Others from episodes in French history, the "Burghers of Calais" surrendering to Edward III, or from classical legend and literature. "The Thinker", the most famous statue of the 19th century, has its origin in Dante's *Divine Comedy.*

Rodin was commissioned to carve the bronze doors to the entrance to a projected Musée des Arts Décoratifs in Paris. He conceived a grandiose scheme whereby the panels would represent scenes from the *Inferno*, and towering above them, he placed the brooding figure of Dante. As this figure developed it ceased to be merely that of the poet and became a super-genius, Rodin himself, pondering all the ills of the world.

In the end the Museum was never built but Rodin worked on at his panels, known now as "The Gates of Hell". Other figures from the Gates that acquired a separate existence are those of "The Kiss", originally Dante's Paolo and Francesca, banished to Hell for their illicit love.

The heroic and the erotic – these were the drives that motivated Rodin in his re-creation of the human form from his time as an apprentice to his death in 1917. He was fortunate to live during the Third Republic when

RODIN: THE SHAPE OF GENIUS
**by Ruth Butler**
*Yale, £19.95, 591 pages*

France became obsessed by the need to put up public monuments to honour its outstanding men of genius but the commissions always involved tiresome monitoring by committees responsible to those who had contributed the funding.

Rodin's relations with these committees and with the arts ministers who headed them were often conducted at breaking-point. He was incorrigibly bad at meeting deadlines. This was because he tended to take on too many commissions at once; and because he liked to ponder a major work for years making preliminary sketches and maquettes.

Above all, the candour of his conceptions frequently affronted the sensibilities of his employers. His "Monument to Victor Hugo" depicting the poet's body in the nude was luckily acclaimed when it was shown at the Salon, but his version of Balzac – a phallic-shaped white hulk, shrouded in his coat, gazing heavenwards through dark glasses – was too much for the Society of Men of Letters who had commissioned it. Bernard Berenson said it looked like a polar bear standing on its hind legs. Rejected, it ended up in Rodin's garden.

Butler goes at great length into the long wranglings that surrounded the creation of these masterpieces and her accounts make melancholy reading. We could have done with more about the works' ultimate importance in the history of art. Rodin's relations with women (dealt with very fully in the earlier biography by Frederic Grunfeld in 1987) are just as depressing. Butler regards the early death of Rodin's supportive and purposeful elder sister, Maria, a nun, as the crucial trauma. Rodin found a substitute in his first pupil, Camille Claudel, sister to Paul Claudel, a fine sculptor and early feminist. Their affair ended suddenly in a brutal separation.

There were many other mistresses. Some were rich patrons like the American-born Princesse de Choiseul; others were artists who sat at his feet like the English painter Gwen John. But with none of them did Rodin manage to sustain a satisfactory lasting relation. There is something sadly touching in Rodin's refusal completely to discard his earliest mistress, a low-class model, Rose Beuret.

Rose became his servant, putting up with his absence for months on end. But he did continue to provide for her and the dim-witted son he had by her and, somewhat surprisingly, at the age of 77 he married Rose while on his deathbed. The nature of his private fantasies about women may be seen in the large collection of erotic drawings discovered after his death. His work as a whole is permanently on view in the Musée Rodin in Paris (formerly the Hôtel Biron occupied by Rodin at end of his life and bequeathed by him with its contents to the city).

No admirer of Rodin can afford to neglect this biography which gives a fuller account of his life than any previous one. But the writing *is* not always elegant and the reader will need to look elsewhere for an appraisal of the works. In addition to the notes and bibliography, a full chronology of the life should have been included.

# At last Lenin is dead

*Tragedy or farce?* ***Arkady Ostrovsky*** *on Russia's recent past*

THERE IS a certain irony in the fact that David Remnick's book *Lenin's Tomb: The Last Days of the Soviet Empire* has come out now. *It* is only a few weeks since communists and fascists had gathered together under red flags with the intention of restoring the Soviet regime. The building of the White House which two *years ago symbolised the victory* of democracy over communism had now become the communist's last shelter.

Only a few weeks ago the 1991 coup, brilliantly described by Remnick, seemed like the final agony of the old regime. After the events of October 1993 it now seems like the prelude to a bloody tragedy. The fourth part of Remnick's book, "First as Tragedy, Then as Farce", perfectly describes the mixture of heroism and absurdity in Moscow during the August 1991. However, after the Bolshevik's putsch in October 1993, this famous aphorism could more appropriately be reversed: "First as Farce, Then as Tragedy".

When Remnick's book was first published in the US earlier this year it must have read like a documentary novel, with almost no gap between the events described in the book and the present day. Today it reads not only as a book which deals with the past, but which belongs to the past. This is not Remnick's fault, it just proves that Russian history is changing with "unhistorical" speed.

In the end though, *Lenin's Tomb is not a historical survey*, but an excellent journalist's novel. A reporter for *The Washington Post* for 10 years and now a staff writer for *The New Yorker*, Remnick spent four years in Moscow from 1988 till 1992. Most American journalists sent to Moscow manage to come up with a book about their personal experiences in an exotic country. However, Remnick is one of the few to have written one combining an excellent knowledge of Russia's most recent history with high literary qualities.

Although the book contains mostly well-known facts, its main value is in its sense of personal involvement with Russian life. Yet *Lenin's Tomb* is not an adventure novel describing the life of an American journalist and his family in Russia; it is rather a careful and respectful observation of the country and its people. It is more than likely that in 30 *years time historians* will consider *Lenin's Tomb* historically incorrect. But this does not matter, because the book gives a better sense of life in Russia then any history textbook.

Remnick's book reads like a thriller. It is not hard to imagine how *Lenin's Tomb* could be turned into a film script. However, the semi-fictional character of the book at times works to its disadvantage and makes you forget that people in the book are not characters, but real people. Russian history is treated sometimes like a detective story where the "bad guys", the communists, are caught and punished at the end.

"The Trial of the Old Regime", the last part of *Lenin's Tomb,* about the trial of the communist party, makes it *seem that the whole history of* Bolshevism ends with the last sentence of Remnick's book. "The era that had begun in 1917 with the Bolshevik coup had now ended – in a court of law." Writing an effective finale, like this one, is dangerous, especially when you deal with Russian history.

*Lenin's Tomb* does not require any special knowledge of Russia or Russian history. It illustrates the Platonic idea that we recognise rather then learn. The names and phrases mentioned in the book are all familiar "Russian" topics: Solzhenitsyn, dissidents, Stalin, anti-semitism, KGB. The word KGB in particular can be found

LENIN'S TOMB: THE LAST DAYS OF THE SOVIET EMPIRE
**by David Remnick**
*Viking £19.99, 576 pages*

almost on every page. Sometimes it gives the impression that Russian social, political and cultural life consisted only of two parts – Russian dissidents and the KGB, as if there were *nothing in between these* two states, as if it was impossible to live an honest life in Russia without being a dissident. However, in reading *Lenin's Tomb* the KGB is an abbreviation not only for the *organisation itself but for all* the evil in the former Soviet Union.

The book starts with a shocking scene. Russian and Polish soldiers searching for evidence of Stalin's crimes are digging out the mass graves of 15,000 polish officers and soldiers slaughtered by Stalin, when the news of the August coup arrives. By digging out mass graves, Russia was trying to dig out mass memory. This powerful image sets the pattern for the whole book; almost every story from the present day evokes a flashback to the past. From Remnick's point of view "The Return of History", as the Russians discover the true nature of their past, is one *of the most important conditions* of Perestroika and the new political system.

After several years of digging up the past there is now a new tendency in society: to let the past rest. As I am writing this review the Moscow government is discussing how to remove Lenin from the mausoleum and bury him. Most Russians are hoping that nobody will have to dig him out again.

# In search of Utopia

I HAVE for years been fascinated by the Freelanders. Almost certainly you have never heard of them, and they do not rate any reference in this wide-ranging book about utopias. The "International Freeland Association" flourished briefly in the early 1890s, inspired by a moderately-nutty Austrian economist called Theodor Herzka who preached the abolition of interest rates and property rights. He sent a pioneer party of his European followers to East Africa in 1894 to found "Freeland" on the slopes of Mount Kenya. The utter failure of this expedition is interesting partly because it helped persuade the Zionists to turn down the British government's offer of a territory for "Israel" in Uganda. It *also offers a comment on the fatal* attraction for utopianists of the reality of their dreams.

The Freelanders were just one excellent example (there must have been hundreds of other such groups over the years), of humanity's chronic search for utopia, and their story would have usefully illustrated the themes of *Paradise Dreamed*. That is to say, they were inspired by the vision of a single man; they followed a blueprint which had been laid down in extreme and imaginative detail, however optimistic; they paid particular attention to their proposed constitution; and they were the extremest of radicals in that they were emigrants setting sail not to seek their fortune in a transplanted Europe in the Americas or the Antipodes (as so many did at that period) but precisely to get away from the system which they had learned to reject.

More than that – more than the Singtons seem to admit – they were true utopians in that they were motivated by a despair for their natal society. *This despair is surely a central* element to utopianism, from Thomas More to Aldous Huxley's critique in *Brave New World*. William Morris, for example, only wrote *News from Nowhere* after he had lost faith in his Socialist movement. I like to think of the Freelanders as some of the first drop-outs of our modern age.

Pamela and David Sington have produced a helpful survey of utopian thinking, starting from Hesiod's Golden Age but concentrating on the years since the Renaissance. This does not pretend to be a work of original thought, and it often reads too much like a BBC series (as it originally was, for the World Service), fashioned into a neatly-assembled round-dozen of chapters and including

PARADISE DREAMED
**by Pamela Neville-Sington and David Sington**
*Bloomsbury £18.99, 322 pages*

*too many trim one-para summaries of* this or that. But the book serves a purpose: I don't know of a more accessible introduction to the subject.

Inevitably, we have to be taken through the sources: Plato, Aristotle, More ("one of the founding documents of the modern world"), Campanella, Ledoux, Bacon, Fourier, Saint-Simon, Diderot and Sade, Edward Bellamy (very keen on Bellamy – he predicted credit cards), Morris and B.F. Skinner, and so on and so forth. And Hawthorne, with this wonderful description of his own Utopia: he "has ventured to make free with his old and affectionately remembered home at Brook Farm as being certainly the most romantic episode of his own life – essentially a daydream, and yet a fact – and thus offering an available foothold between fiction and reality". There you have the creative tensions in utopianism: daydream/fact, fiction/reality.

The chapters never quite focus on a sustained theme – perhaps that is left to us. "Utopias have succeeded in *changing the world*". Well, *yes, up to* a point. Both the US and the Soviet Union have been inspired by different versions of utopia, we are told: that is a leading meaning of the "pursuit of happiness", and André Gide once described the USSR as "a land where I imagined Utopia was in process of becoming reality". But there were deep distinctions between the European and the American utopian traditions: crudely put, the European line led from More to Rousseau to Marx and emphasised the equal distribution of economic resources; the American came to emphasise "equality of condition" and therefore "equality of opportunity" in which individualism would easily lead on to entrepreneurial capitalism. Marx may once have observed, of utopias, that "the man who dreams up a programme for the future is a reactionary", but that hardly denies him his place in the utopian galaxy, although his visions were untypically vague and short on detail.

We are assured by the authors that utopias are frequently realised, if only in part, and that utopias have been among our principal philosophical and political guidelines for 500 years. That seems too bold. Some utopias made sense, others did not; like *acorns dropping in profusion, only* a tiny fraction have ever taken root. Coleridge's "Pantisocracy" came to nothing; the Freelanders survived only three months in the real Africa of 1894. Perhaps it would be good to read a more impassioned study. Whose side are we on, Miranda or Prospero? "'O brave new world/ That has such people in it' – 'Tis new to thee.'" Discuss.

***J.D.F. Jones***



# Tragedy on the grandest scale

W*HILE waiting for* death in his prison cell, a victim of the Revolution he had taken part in creating, Camille Desmoulins wrote to his wife, "I had dreamed of a republic all would adore. I could not believe how ferocious and unjust men could be." The Terror unleashed by France's revolution horrified all witnesses by its extremity. Deep festers of gangrene had been ruptured by the overthrow of the Ancien Régime, and the poison flowed. Tumbrils rolled to the guillotine, and crowds intoxicated by events roared every time the blade fell, murdering alike the overthrown and those who had overthrown them.

It is the way of mankind, when circumstances conspire, to fasten on some one thing as a focus for hatred or blame. In a bankrupt France where hungry peasants and angry artisans groaned under crippling taxes, but where the extravagant life of aristocrats and clergy continued, public resentment came to concentrate on one person especially, as emblematic of France's ills: its Queen, the "Austrian whore", Marie-Antoinette. Public memory is the memory of victors; Marie-Antoinette is she whom legend says advised the hungry that if they had no bread they should eat cake. Perceived as rapacious, expensive, frivolous, an Austrian spy, sexually promiscuous under the nose of her impotent husband Louis XVI, she became the subject of pornographic ballads and bitter hatred. Among many accusations at her trial were allegations of incest with her small son. The sans culottes believed her capable of anything.

Ian Dunlop's new biography of Marie-Antoinette sets out to rescue her from this slough of calumny. Skilfully evocative of the times, the palaces, the intricacies of court life and the history of Louis XVI's family

MARIE-ANTOINETTE
**by Ian Dunlop**
*Sinclair-Stevenson £20, 411 pages*

and circle, Dunlop's account is frankly partisan. He is an admirer of the sweet-faced princess who, married by proxy to the Dauphin of France at 14, had to assume the role of consort in the world's most glittering monarchy. His portrayal of her is seductive; he makes excellent use of the many contemporary letters and journals which convey the affection and respect nourished for her by those who knew her well. Even her gaolers came to love her, and wept when the tumbril carried her away.

Against the legend of the royal family's callous frivolity and indifference to France's suffering, Dunlop gives us a picture of an anxious but largely ineffectual Louis XVI trying to practice economies in the running of his many huge and decaying palaces, and a Marie-Antoinette writing to her mother, Marie-Thérèse of Austria, to tell her of the touching affection of the peasantry for their King, despite their hunger and taxes.

Dunlop brings Versailles and Fontainebleu vividly to life, along with the ceremonial and intrigues of court. The history of 18th-century France flows turbulently behind, giving one a sense of the inevitability of disaster. Around the figure of Marie-Antoinette accumulate the incidents, miscalculations and unlucky accidents as in the case of the Diamond Necklace scandal, in which she was the victim of a criminal conspiracy that in the public mind metamorphosed a fairytale Queen of France into "that Austrian bitch".

France's story in Louis XVI's reign is one of hubris, vainglory and stupidity. Neither the royal pair nor their ministers were unaware of France's ruinous finances and the people's suffering. But the clergy and aristocracy vetoed all demands to pay taxes. Those who were to die under the guillotine paved their own path thither with their cupidity and short-sightedness. The system's inflexibilities meant that France's government behaved as if Louis XIV still reigned. But time, credit and the people's patience had run out.

Seen from the broader view, France's King and Queen forged their own fate. But theirs is an intensely moving story nevertheless, so skilfully told by Dunlop that one has to force oneself periodically to remember that this piercing tragedy is itself merely the peak of a mountain of injustice. a And that is why a charming but after all self-indulgent young woman came to be murdered to satisfy the rage of an entire people. Where the degree of tragedy is measured by the height from which its sufferer falls, Marie-Antoinette's life is a tragedy on the grandest and most instructive of scales.

***A.C. Graylin***

ARTS

# An open race for also-rans

*The Turner Prize is moving even further away from its orignal rubric, argues* ***William Packer***

WHAT IS to be done with the Turner Prize? Here it comes again, marking the silly season between Bonfire Night and Christmas with easy copy for the Tate-Baiters. Clearly it is a hopeless case, and here we all are, standing round the expiring patient, knowing just what the doctors should do if only they would listen.

There always was a good case for generous prizes for the visual arts, and £20,000 to the winner is certainly generous, though by no means exceptional these days. The trouble with the Turner is that from the start, and in the name of one of the greatest of painters, it laid claim to honour and distinction above all the rest. Its rubric has been watered down over the years from the "best" or "most significant", but still it reads: "for an outstanding exhibition or other presentation of work in the 12 months preceding June 30 1993." That shift from definite to indefinite article may betray a certain loss of confidence in these correct and sensitive times, an unwillingness to accept, perhaps, that there should ever be such things as winners and losers. Even so, with its banquet and its speeches and presentations on prime television, the Turner Prize is hardly yet a shrinking violet.

For my part I could never see anything wrong in the idea that the art world should have some fun and self-congratulation at the end of the year, with a bit of a punt on the side. Any such race should be open, fair, and run under consistent rules. It is the inconsistency of the Turner Prize that has so fatally undermined its credibility, when all we want is to see the best set against the best in a fair test.

Why is it that the Prize should latterly have been reserved for artists under 50? Why should the nominations from which the jury picks the short-list not be published? How is it that the sponsor, Channel 4, has been allowed to limit the size of that short-list for its own broadcasting convenience? Why has the Prize allowed itself, through its short-lists, to become so narrowly identified with the experimental and conceptual, in sculpture especially, at the expense of broader qualities and interests? To ask for rational answers is to whistle in the wind.

This year the Prize is as loaded towards the conceptual as usual, and to installation in particular, with two sculptors and a photographer set against one abstract painter in a field of four. Hannah Collins (37) takes photographs of decaying city streets, symbolic figure subjects and still-life, which she blows up portentously large. "Discussing a landscape work ... (She) said, 'I look in the back of the camera and work out the relation between the viewer and, say, the height of the mountain in the desert' ... This approach ... tends to produce ... a dramatically enhanced realism." She is currently concerning herself with the movements of refugees and economic migrants into Europe.

Vong Phaophanit (32) is a Laotian now living in England. He makes installations, works tailored to the particular place and circumstance in which they are to be shown. His "Neon Rice Field", a set of low ridges of heaped rice, with pink neon strips glowing along the troughs between, was first shown at the Serpentine in the summer and is here reworked. It is extremely seductive in a quietly theatrical way, redolent of the raked Zen gardens of the Buddhist tradition.

Sean Scully (48) is the painter, his large, block-like panels, with their bold rectilinear motifs and thick, lush paint, has the physical presence of high relief. In terms both of colour and image, he imposes one set of strong and simple values upon another, leaving them to fight it out. The resulting accommodation is neither arbitrary nor strident, but oddly spiritual, grand and monumental.

Rachel Whiteread (30) is preoccupied with the interior volumes of things. From making casts of the insides of baths and basins, she moved on to casting whole rooms, spaces as it were turned inside out. Lately she has given a whole house the treatment in the East End. Her work stimulates, at least in the first instance, a compulsive conceptual engagement. Whether it bears endless repetition is another question.

The Turner Prize of 1993 seems to be a fairly open race for once, with Scully to win from Whiteread, Phaophanit a decent each-way bet and Collins the outsider.

**The Turner Prize 1993 - The Tate Gallery, Millbank SW1, until November 28: sponsored by Channel Four Television.**

# In praise of youth

*This adolescent Hamlet explains a lot, says* ***Malcolm Rutherford***

ONE of the best *Hamlets* you are likely to see has arrived at the Donmar Warehouse, the smallest of London's mainstream theatres. There are many virtues in Stephen Unwin's production for the English Touring Theatre (formerly the Century Theatre), but the greatest of all is youth.

Alan Cumming's Hamlet is a very young man, perhaps still an adolescent. This is not the way the Prince of Denmark is usually portrayed: even the text suggests that he must be at least 26. Yet to play him younger explains an awful lot.

This Hamlet is an only child with all the arrogance of an advantaged background. True, he has most of the qualities that are attributed to him. He can fence: he can remember huge chunks of *Dido and Aeneas* from a single hearing, and he has good manners when he wants to, mainly to outsiders like the Players.

He can also be petulant, rude and immature. He cannot understand that his mother can still have sexual desires at her age – she must be at least 45. Nevertheless, he still longs to be mothered and there are early moments when he seems intimidated by his step-father. He is a clever boy, but dreadfully spoiled.

Cumming's Hamlet is not the glass of fashion. He dresses in a black T-shirt and short black leggings. He has wildish hair which he keeps pushing back. Everyone else is smarter. But again this is the only child, born to be king, doing what he likes.

Cumming's one very distinctive trait is to speak with a Scottish accent while the rest of the cast is English. He also has a marvellous talent of appealing directly to the audience. He delivers his soliloquies as if he were thinking of the words for the first time – the idea of staging a play to catch the conscience of the king seems to come to him suddenly out of the blue.

It is not all Cumming, however. There is a style to Unwin's direction which runs throughout. When Pip Donaghy's Claudius comes to his own soliloquy, he has the same technique of eyeing the spectators. The Donmar Warehouse is a wonderful place to do this.

Some of the other characters come out in new light. Rosencrantz and Guildenstern are not the customary stooges and sycophants. Sometimes they behave like the older boys in the school who might just give Hamlet a roughing up him to teach him a lesson.

There is a moving Ophelia played by Hilary Lyon who, like Hamlet, seems to weep real tears. Gertrude is played by Eleanor Bron not as a particularly sensuous-looking woman, but one who goes along in a practical way with remarriage when her husband dies. Apart from Laertes, whose character is not defined, this is one of the hardest parts in *Hamlet*. Ms Bron carries it off by not over-acting.

There are some cuts. The production is not as magisterial as the recent Royal Shakespeare Company's. But the narrative flows – the piece still lasts 3¾ hours, the bare stage at the Donmar is just right and it is good that the Hamlets should be getting younger.

**Donmar Warehouse until November 27. (071) 867 1150**

Alastair Muir

Alan Cumming: the Prince of Denmark as a clever, spoilt only child

# Massenet plays the tune

*At last this composer is being taken seriously says* ***Max Loppert***

FOR BRITISH lovers of French opera in general and Massenet in particular, the prospect looks exceptionally fair at the moment and over the next few months. Three rarities from the last period of his astonishingly fruitful 40-plus years of operatic production are being revived: the "lyric tale" *Grisélidis* (1901) on the medieval legend of patient Griselda and her trials, just opened in an absolutely smashing student production at the London Guildhall School; the "fairy-tale" *Cendrillon* (1899), one of the best of all the many operas on the Cinderella story, by Welsh National Opera from next weekend; and the "sung play" *Chérubin* (1905), a fizzing *Figaro* sequel, at Covent Garden next February. To add to the tally, an important new recording of the "heroic play" *Don Quichotte* (1910) has just come out, with the leading Francophone singer of the day, José van Dam, in the title role.

To Massenites this is all bounty, though entirely their due and, indeed, not before time (for budgetary reasons Covent Garden's 1990 staging of *Don Quichotte* was cancelled). But to others? I sense that the larger Massenet battle is not yet finally won: that there remains a body of otherwise open-minded British opera-devotees suspicious and/or patronising of the composer and his works – even of *Manon* and *Werther*, the two Massenet operas that, in the long years after his death (in 1912) when his reputation sank low, managed to keep a toe-hold on the repertory.

The image of a purveyor of Palm Court fodder, bonbons succulent but nutritionally valueless, lasted long. The smart phrases of Debussy and D'Indy (who defined Massenet's principal working device as the regular supply of "discreet and quasi-religious eroticism") were regularly rolled out. The ultimate put-down came in the Fifth (1954) Edition of *Grove's Dictionary*, whose Massenet entry concluded by indicting him for "(ingratiating) himself with that large section of the public which ... regards music as an agreeable after-dinner entertainment".

Critical evaluation has changed. (In this regard, Rodney Milnes's Massenet entry in the 1993 *New Grove Dictionary of Opera*, a brilliant piece of missionary polemic, is required reading.) But in case the prejudice still lingers against this example of a successful artist who did not set out to be a mould breaker – who was not, in other words, the Mozart, Wagner, Verdi or Schoenberg of his age – these four particular later-Massenet works might have been specially chosen to mount the most telling argument for the defence.

On the simplest level, they show how wide was his range: far from repeating a handful of well-routined tricks, he developed after *Werther* a broad spectrum of dramatic styles, comic, fantastic, legendary-romantic. He was never a "modern" in the sense that Debussy, creator of *Pelléas et Mélisande*, undoubtedly was; but examined from a vantage point in the late 20th century where the whole modernist adventure has already been seen to have been stringently reassessed, Massenet's retention of a "popular" operatic manner in which to clothe his own continual experiments with operatic form and content does not seem so negligible an achievement after all.

And what he has to say about the human condition, in particular about the weaknesses and strengths of the human heart, reveals through those experiments a remarkably broad compassion. After *Werther* (and a couple of minor adventures with the vogue of operatic verismo) comedy enters Massenet's artistic range – a use of comedy poised to balance well-tried elements of romance, sentimentality, and in certain cases supernatural fantasy and religious effusion.

This may well be because in this later period Massenet forged his partnership with Lucien Fugère, great comic baritone of the Paris Opéra-Comique, a stage-artist of wonderful verve, urbanity and polish. He was the first Pandolphe (the weak father-figure) of *Cendrillon*, the first Philosophe in *Chérubin*, the first Devil in *Grisélidis*, the first Paris Sancho Panza (and dedicatee) of *Don Quichotte*.

Whatever the reason, these later Massenet operas are all extraordinary samples of high craftsmanship finding new, bold ways of re-inventing itself. Application of orchestral colour becomes ever more exact. Comedy seems to be particularly expressed through rhythmic vitality – the Devil's scenes in *Grisélidis* and the Windmill scene in *Quichotte* make wonderfully supple use of sharp-pointed rhythmic underpinnings. This composer, one of the masters of French word-setting, found myriad ways of extending that mastery; and in key utterances – Cendrillon's plaintive "Reste au foyer", say, or Don Quixote's serenade "Quand apparaissent les étoiles" – the economy and aptness of the vocal-verbal union are a key part of their ineffably quiet eloquence.

The Massenet London season begins superbly with the Guildhall *Grisélidis* (first British staging): any reader able to attend one of the three remaining performances is urged to do so. In Caroline Gawn's witty, stylish, beautifully fresh production, and in David Lloyd-Jones's excellently fluid direction of an excellent student orchestra, the peculiar charm of the work, part pastoral, part boulevard comedy, part romantic legend, comes across at full strength.

In the title role the first of the school's two alternating casts introduced to us a young soprano of star potential, Catrin Wyn Davies, with the clean, limpid, deeply affecting manner and tone of a young Ileana Cotrubas. She and the two leading baritones – Matthew Hargreaves light and skilful in the Fugère part, Gwyn Hughes Jones sturdy and handsome-voiced as the crusader knight who leaves Grisélidis's virtue to be tested by the Devil – exemplify the unusually degree of preparatory effort (particularly over sung French) that is a feature of the show.

A brief word on the new *Don Quichotte* recording, only the third in the work's history. Van Dam's subtle declamation and the close-knit partnership he forges with the equally understated Sancho of Fondary give continuous pleasure. Berganza as Dulcinea (in this post-Cervantes treatment not a village whore but a sparkling, sophisticated courtesan) retains much of her unique vocal velour, if at times too little verbal punch.

Under Plasson the flow of the marvellously picaresque score is effortlessly judged. And yet, on returning to Decca's 1978 *Quichotte*, with Ghiaurov, Bacquier and Crespin, I found a more telling recorded ambience and a more various, vigorous, account of the whole work. As, in addition, this new recording is full-price and the older one a medium-price reissue in Decca's "Grand Opera" series, the advice to the consumer seems pretty clear.

**Grisélidis.** Guildhall School of Music, London, performances tonight, Monday, Wednesday
**Cendrillon.** Welsh National Opera, Cardiff, from November 20, then on tour in Birmingham, Oxford, Bristol
**Chérubin.** E Royal Opera, Covent Garden, London, from February 14
**Don Quichotte.** With José van Dam, Alain Fondary, Teresa Berganza etc./ Orch. and Chorus of Capitole, Toulouse/Michel Plasson. EMI Classics CDS 7 54767 2 (two CDs)

# Free Spirits electrified

GUITARIST John McLaughlin is electrified again. After a long relationship with the acoustic instrument and natural accompaniment, the super guitarist has teamed up with heavyweight drummer Dennis Chambers and Hammond organist Joey DeFrancesco to form an electric and electrifying new trio.

The British fusion pioneer is always good value. He seems to carry good karma with him whatever the material, from improv to flamenco by way of Mahavishnu. Free Spirits, as the three month old group is to be known, is different again and does not disappoint. McLaughlin, coiffed platinum hair and tanned complexion, in overpressed casual clothes, looks just like the well-to-do Yorkshireman who now lives in Monte Carlo that he is. DeFrancesco, winding up the Hammond into action, has the appearance of a man who does not get out from behind the keyboard much. Chambers, a terrifying spectacle in cap and headphones, if firmly rooted behind a large drum kit which trembles in front of him, like a dragster with the handbrake on.

Between them they provide strangely contrasting textures in this mix of new and old McLaughlin composition. The classical, sometimes Spanish tones of McLaughlin are intermingled with RSI defying, squiggling solos; the right-handed, shrill treble of the DeFrancesco's urging in the foreground. Chambers, who is known as a powerhouse drummer, rumbles behind, controlling the dynamic in a sometimes overwhelming manner.

In a concert of two halves at the Festival Hall on Tuesday, the first set worked beautifully as an extension of what has gone before with McLaughlin. Sensitive balladeering mixed with chattering solo parts from each corner of the trio gave way to convivial and folky swing. In a peaceful moment without Chambers, DeFrancesco emerged from behind the organ keyboard to duet with the by now peripatetic leader, on wistful and often Milesian muted trumpet. After the interval, the mood changed, however, with the trio slamming into a soul jazz session, which slid greasily into a long and gratifying blues jam. Possibly not planned as such a lengthy work-out, tremendous reaction from the packed house prolonged McLaughlin's heroics and egged Chambers on to greater, more deeply bruising snare action, cleverly lifting and lowering the tempo on the cymbals.

As a precursor to the recording promised for the New Year, the omens are good – though Strong Spirits might be a more appropriate name for this tough trio.

***Garry Booth***

ARTS

# The shape of stars to come

*Pyrotechnic wizardry is taking over cinema screens, says **Nigel Andrews***

ALADDIN, *Dick Tracy*, *Batman*, *Death Becomes Her*, *Terminator 2*... Have you noticed something odd happening in cinema? It is getting harder and harder to keep track of well-known faces and appearances. Stars vanish under mounds of make-up. Actors mutate into cyborgs. Actresses's bodies turn into avant-garde sculptures. And leading cartoon characters spend whole movies making lightning transformations, like chameleons on benzedrine. We are in the age – on screen if not off – of prosthetics, "morphing", computer-generated effects and other pyrotechnic wizardry.

Today's transformational impulses are less about regaining glamour, more about reaching for the fantastical or flabbergasting. In *Death Becomes Her*, Meryl Streep and Goldie Hawn turned into living Henry Moore sculptures: one with a hole in her stomach, the other with a torso twisted back-to-front by a stairway fall. In *Batman* and *Dick Tracy* a constellation of stars, from Nicholson to Pacino, played "Find me" under layers of Pelion-on-Ossa character make-up. And in every new sci-fi Schwarzenegger vehicle the hero and/or pursuing villain are called upon to dazzle us with quick-change routines.

*Terminator 2*, the most indelible of these Arnie antics, popularised "morphing". This is the computer-created process whereby a hero-chasing cyborg can seamlessly transform himself from metallic robot to human and back again: sprouting, whenever he chooses, new limbs and bio-mechanical weaponry.

Now in Disney's *Aladdin*, opening in Britain next week, this fascination with fast-track metamorphosis has entered, or re-entered, what many might think its natural home: the cartoon. Since opening in America last Christmas *Aladdin* has become, according to some Tinseltown auditors, the most profitable film ever made. Though earning less than its only 1993 out-grosser at the US box office *Jurassic Park* – \$210m against \$330m – its production costs were tiny and its revenue outstripped even Disney's 1992 animation phenomenon *Beauty And The Beast*.

*Aladdin* has a mimicry-prone genie (voiced by Robin Williams) who switches voices and faces so fast, so gymnastically, that it is a roller-coaster ride merely to keep up. Here is Robert De Niro, here Peter Lorre; now it's Ethel Merman or Woody Allen or an air-line stewardess. And while the voices change, so do the features and physique. They swirl in and out of new likenesses with such speed and virtosity that the Disney technicians had to use new computer techniques – just like their live-action rivals – since even the plasticity of traditional animation could not do the job.

As this trend towards show-off Proteanism in the movies grows, the message for cultural observers is becoming louder. Cinema is feeling time and fashion's chariot hurrying near. It is not just that an art-and-entertainment form soon to celebrate its 100th birthday (1995) is reaching for the revitalisation pills and knocking them back to the point of overdose. It is that cinema is becoming aware of the threat from video, video games and computer software: forms that have attracted more and more – and younger and younger – spectator-participants by demolishing all frontiers between the Possible and Impossible in visual terms.

*Jurassic Park* itself, plundering trick-image techniques from these upstart technologies, proved that the way to collar large audiences today is to meld cinema's wall-to-wall realism – what is left of it in the age of shrinking screens – with the perceptual gamesmanship of the new audio-visual systems. Spielberg's creature feature did this deftly enough to become the highest-grossing film of all time *and* to show that in today's ludic *zeitgeist* a bunch of agile, capricious dinosaurs can act a bunch of stiffly traditional human characters off the screen. (The real prehistoric monsters in this film are Sam Neill, Laura Dern and company.)

*Jurassic Park* spotlights the most dramatic development of all in these New Age movies: they make a mockery of what we used to think of as cinema's charisma essentials. In the past stars and their roles were expected to be bigger than life. (Video-game heroes and villains are smaller than life and must make up for it in speed, agility and elastic identity.) And stars, whatever their roles, were expected to be – at core – changeless. Indeed what *defined* them as stars was their ability to stand there being luminously iconic, giant points of light on a giant screen. Dietrich or John Wayne, Bogart or Gary Cooper, they "acted" by sending out small, flickering signals from a largely monolithic face and voice.

Back in those days transformational showmanship was sidelined into lunatic-fringe genres like horror, sci-fi or fantasy (*The Wizard Of Oz*). Today, though, every genre must be able to flirt with the miraculous, the metamorphic. (A romantic weepie can have a crackpot cryogenics plot – *Forever Young*; a crime-and-gangster film can have a trunkful of masks and funny faces – *Dick Tracy*). Likewise every star must join in in the game of musical identities. Tom Cruise? Bring on the balding wig and wheelchair for *Born On The Fourth Of July*. Warren Beatty? Off to the Richard Nixon Lookalike Laboratory for *Bugsy*. As for Streep, Nicholson, Pacino, Hoffman and De Niro: these are character actors who have seized the throne of stardom today thanks to an age that likes its leading players versatile, volatile and Olympically unpredictable.

Tyrannosaurus Rex in Jurassic Park: It is the actors who are becoming prehistoric monsters

Even the recent history of the Best Actor Oscar bears out the trend. Who have been getting the statuettes? Day-Lewis, Irons, Hopkins, Pacino: each for playing a broad-stroke character part ostentatiously removed from the actor's known personality and traditional run of roles.

Today there are still a few white-bread, no-change male stars like Redford, Gere, Costner and – since *Born On The Fourth* as if in contrition – Cruise. And there are female stars like Cher who go in for the full surgical overhaul in an oldfashioned bid to become ageless icons. But exceptions prove rules – or at least draw attention to a new trend by hanging "endangered" signs around on a stardom style that used to be the norm but now seems an ever rarer beacon in a crashing, changing sea.

If the waves are starting to beat against these immutables, it is because the waves are beating against the kind of cinema – and cinemas – that nourished them. Movie palaces yield to multiplexes; multiplexes yield to VCRs. And as even VCRs lose their novelty value, kids are forsaking them for the new moving pictureland of computer games. Screens shrink; so feature films make larger gestures and louder noises to get noticed.

In recent years the leading cultural buzz-phrase has been Short Attention Span. But what cinema is experiencing and reacting to today is more the Shrinking Attention Zone. Reduced frames of action; larger portions of those frames annexed by computer-work and other brave-new-worldery; diminishing room inside for humans who just want to be expansively human.

From now on, shrinking "delivery systems" may dictate an increasingly manic, attention-grabbing style of delivery. Films like *Demolition Man*, *Last Action Hero* and *Jurassic Park* pile on the plot twists, animate the once-inanimate and push their human players through ever more demanding and eccentric hoops. Audiences – and critics – had better learn to love the new game-plan or the game itself may leave them behind. Meanwhile beleaguered old-style film stars, whose effortless charisma depended on those giant screens with their giant constancy of image, may have to mimic Gloria Swanson's famous words in *Sunset Boulevard*. "I *am* big! It's the pictures that have gotten smaller."

# Exposés from the gents

*Alastair Macaulay reviews Lloyd Newson's work on 'cottaging'*

NEVER before has so much significance been attached to going to the gents after the performance. DV8's latest work, *MSM* (which opened at the Royal Court this week), is about cottaging – i.e. gay male sex in public lavatories. As theatre, it is just so-so. As documentary, however, it is interesting.

This is not the first time that cottaging has been brought into the open. It has been covered on television and there is a famous scene of group cottaging in Joe Orton's diaries. But a theatre work is a uniquely public event. You can claim not to have read Orton, or not to have watched certain programmes; but, if you watch *MSM*, you do so in a theatre full of other folk. Hundreds of you together, indeed, are watching a theatre piece about secretive sex between men who usually never even ask each other's names.

DV8's choreographer-director is Lloyd Newson. His talent has three separate strands: gay sociology; wit; plaintive expressionism. Compare him with a famous gay artist like Orton, and he hardly seems an artist at all. Newson is more like a radical journalist; he means to expose *issues*.

*MSM* features spoken passages culled from 50 interviews about cottaging. These are selected and shaped in a thoroughly Newson style: a mix of exposé, confessional and commentary. I was often astonished by their frankness and the seriousness of their self-analysis. Newson's wit is evident in the way he has selected and presented them. He combines this with visual jokes such as the episode in which five men join, with infinite absorption, in a bout of pass-the-orange-under-the-chin.

A peculiar feature of Newson's works is that they convey no happy-to-be-out gay pride. They are about the psychopathology of gayness. His best work, *Dead Dreams of Monochrome Men* (1988; televised, 1990), was about a subject which not many years ago would have been considered far beyond the pale for a theatre performance: gay necrophylia. Many features of *MSM* recall it. *MSM's* cast of seven, ranging from portly middle-age to pretty-boy lissomeness, is excellent. Language is explicit; clothes are worn in most scenes; the most basic acts of cottaging are indicated rather than shown explicitly.

Like *Dead Dreams*, *MSM* is a view of gayness as a prison from which there is no escape. The hero of *Dead Dreams* commits foul murders and unnatural acts. In his home, which becomes a grotesque charnel house, the audience sees the hell of his own mind. *MSM* suggests that the basic emotions and attitudes involved in cottaging are despair, loneliness, and escapism. (Many cottagers are married and/or bisexual.) "I have sex with complete strangers," one man says, "because it's a way of numbing my mind."

The walls, cubicles, doors of gents' lavatories become metaphors. Early on, while men before a wall start to loiter with intent, parts of naked torsos, beyond the wall, rise and turn, showing the practice, the steamy fantasy and in between, a psychological barrier. Through a hole in the wall, a naked leg protrudes. A man caresses it. The nature of cottaging could not be indicated with more loaded irony.

Newson's "physical theatre" has become popular in recent years because it is all about "the body" – that big buzzword in hip intellectual circles. Not the transformed body of academically virtuoso dance, but ordinary mortal flesh. And a disappointment in *MSM* is that it focusses on "the body" only intermittently. *MSM* is 80 minutes of graphic sociology, and closer to being a lecture-demonstration than a sustained sequence of theatrical insight.

Like David Mamet's *Oleanna*, *MSM* is a less-than-great work of theatre that nonetheless I think is worth going to see. It raises questions about what causes men to seek homosexual sex in illicit, dangerous, and awkward circumstances, without providing unambiguous answers. But like everything Newson has made, *MSM* gives me a headache. Behind his wit, humanity, and documentary force, one senses a hectoring temperament and a terrible hysteria. Newson now knows 50 different ways of banging his head against a wall; but it is the same head. And the same wall.

At the Royal Court, SW1, 071-730-1745/2554, until November 20. Restricted-view seats only.

Radio/B.A. Young

# Morals through the ages

THE QUESTION-mark is vital in Radio 4's *New Society?* that begins this week. Four writers give their views of life as they see it. Dave Hill, a sociologist new to me, reckons to see sexual deviance everywhere. David and Andrew live together and give elegant dinners. Their neighbours accept their hospitality without questioning their sexual affairs. Rude word games are common, and Ann Summers parties. In today's society there is much dispute about what is wrong and what is not.

Victorian values, it seems, never bit too deep. Erotic books were traded. There was "quite extensive" fraud; what are now categorised as "dangerous drugs" were obtainable at the chemist's by the housemaid for the home. Lord Deedes, for many years editor of the respectable Daily Telegraph, kept his potentially offensive news firmly on page 3; he reckoned morals were much the same in all classes. If we follow John Major's advice about Victorian values, they must be properly discussed.

For a long time I have reckoned that the BBC's best radio drama is Radio 3's on Sunday night and Radio 4's on Monday. Times change: two weeks running, Radio 3 has given us duds. Joy Heudry's *The Wa' at the World's End* on October 31, about the bedridden Scots poet William Soutar was simply dull. Authentic, yes – it was derived from Soutar's own *Diary of a Dying Man*. Nothing in it persuaded me that he was an interesting chap, even if one enjoys his verse.

Then last Sunday, we had Karim Akrawi's *The Genie and the Playwright*, a wild account of a writer's struggles with the censor in Egypt. The Genie gave more comment than help, though he finally took over the writer's girl. The writer, after disputes on political, social, religious and linguistic grounds, was advised by the censor to "consume himself", and this he actually did. The humour was childlike, the literary politics familiar.

Radio 4's Monday Play spread a modest plot over at least half an hour too long. Robert Paterson's *The 50 Friends of Simon Goberschmitt* told simply of the curiosity of a nice bunch of Scottish girl students about the correspondence of this eponymous fellow-resident. Having booked in, he left for a long time but got letters from everywhere, left unopened. In time, he returned, with an all-too-simple explanation of their origins – and of his. His affairs were less everyday than the students', but his story was over in a moment, and certainly not worth waiting 90 minutes for.

A special word, though, for Radio 4's Classic Serial, John Fowles's *The French Lieutenant's Woman*, ably adapted by Frederick Bradnum, which ended this week. The characters, as vivid as on the page, were well contrasted, and Fowles's personal interpolations into the narrative given a proper suggestion of radio presentation. Amanda Redman as Sarah, David Threlfall as Charles and Teresa Gallacher as Ernestina hit their several marks precisely under Janet Whitaker's direction.

Stacey Aumonier, a familiar magazine-writer of the 1920s, has been accorded a season (two stories, two dramatic adaptations) on Radio 4. They are highly imaginative, full of bad jokes, but just as acceptable as they must have been in the *Windsor* or the *Strand* or wherever. I think he really belongs on Radio 2, where yesterday's stars are celebrated.

Really funny people are adept at spotting the mechanics of other people's fun. Miles Kington, who is funny, began *It's a Funny Old World* on Radio 4 on Wednesday. An examination of the humour of different lands, he had an easy start with the Irish. How will he fare with the French, next week, or the Jamaicans after them?

Chess No 996: 1 Re8+ Bf8(Kh7 2 Qd3+) 2 Rxf8+ Kxf8 3 Nf5+ Kg8 4 Qf8+! Kxf8 5 Rd8 mate.

# TELEVISION

## SATURDAY

### BBC1

7.00 Lassie. 7.25 News. 7.30 Working Together. 7.40 Felix the Cat. 7.55 Peter Pan and the Pirates. 8.20 Marlene Marlowe Investigates. 8.45 Tom and Jerry's Greatest Hits. 9.00 Live and Kicking. 11.20 The Lord Mayor's Show.

**12.12 Weather.**

**12.15 Grandstand.** Introduced by Steve Rider. 12.20 Football: Bob Wilson previews the crucial forthcoming World Cup matches. 12.45 Racing from Cheltenham: The 12.50 Flowers Original Handicap Chase. 1.00 News. 1.05 Boxing: Harry Carpenter commentates as one of the sport's brightest prospects, Welsh Middleweight Champion Joe Calzaghe, takes on former Midlands Area Champion Ernie Loveridge. 1.20 Racing: The 1.25 Murphy's Handicap Hurdle Race. 1.35 Swimming: The European Sprint Championships. Action from Gateshead as some of the leading names in European swimming compete. Commentary by Hamilton Bland and Andy Jameson. 1.55 Racing from Cheltenham: The 2.00 Mackeson Gold Cup Handicap Chase. 2.10 Swimming. 2.55 Rugby League: Live coverage from one of the top matches in the second round of the Regal Trophy. Ray French commentates. 3.45 Football Half-Times. 3.55 Rugby League. 4.35 Final Score. Times may vary.

**5.05 News.**

**5.15 Regional News and Sport.**

**5.20 Happy Families.**

**6.05 Dad's Army.** Trouble looms for Cpl Jones when Pte Walker sets out to get him the one thing that might improve trade – a supply of fresh pigeons.

**6.35 Noel's House Party.**

**7.30 Big Break.**

**8.00 Casualty.**

**8.50 News and Sport; Weather.**

**9.10 The Royal British Legion Festival of Remembrance.** Raymond Baxter introduces as The Queen, the Duke of Edinburgh, the Queen Mother and other members of the Royal Family join the British Legion for their annual festival at the Royal Albert Hall to remember the thousands who died in battle. Subsequent programmes may run late.

**10.40 Match of the Day: The Road to Wembley.** Highlights from two FA Cup first round ties, introduced by Desmond Lynam.

**11.50 Film: How to Murder Your Wife.** Comedy, with Jack Lemmon (1965).

**1.45 Weather.**

**1.50 Close.**

### BBC2

8.15 Open University. 9.55 Macgregor's Scotland. 10.25 Dhoop Kinarey (English subtitles). 11.05 Network East. 11.35 Charulata (English subtitles).

**12.15 Film: Kid Galahad.** Tough boxing promoter Edward G Robinson arranges for his young star to fight a rival promoter's champion. Melodrama, with Humphrey Bogart (1937).

**1.55 Animation Now.**

**2.10 Civilisation.**

**3.00 The Europeans.** Britons working in mainland Europe.

**3.10 Film: Life with Father.** Adaptation of the Broadway comedy play about family life in turn-of-the-century New York. With Irene Dunne and William Powell (1947).

**5.00 Late Again.**

**5.45 Wildlife on Two.** Documentary examining the unusual behaviour of seahorses.

**6.15 DJ Heaven.**

**6.45 News and Sport; Weather.**

**7.00 American Trilogy.** Key works of 20th century American art.

**7.05 The Great Depression.** Poverty in 1930s America caused the crime rate to soar, giving rise to a widespread dissatisfaction with the government's law and order policies.

**8.00 Performance: The Maitlands.** Edward Fox and Eileen Atkins star in this tragi-comedy following the fortunes of an upper-class family in a secluded seaside village who suffer emotional upheaval after losing their wealth in the 1930s depression.

**9.55 Have I Got News for You.** Gerald Kaufman and Alexei Sayle join team captains Paul Merton and Ian Hislop to cast an eye over the week's news stories.

**10.25 Scarlet and Black.** Julien Sorel's status among the Parisian elite rises when he is appointed secretary to the powerful Marquis de la Mole. Shown Sunday on BBC1.

**11.40 Film: If I Had a Million.** Comedy about an eccentric millionaire who gives away a fortune to various randomly chosen people to assess their reactions. WC Fields stars (1932).

**1.05 Close.**

### LWT

6.00 GMTV. 9.25 What's Up Doc? 11.30 The ITV Chart Show. 12.30 pm Speakeasy.

**1.00 ITN News; Weather.**

**1.05 London Today; Weather.**

**1.10 Movies, Games and Videos.**

**1.40 Wanted: Dead or Alive.** Josh proves the innocence of a woman accused of murder. With Steve McQueen.

**2.10 The Big Valley.** A man is accused of murdering a prominent congressman.

**3.05 NBA Basketball.** Action from the game of the week, and the latest league news.

**4.05 WCW Worldwide Wrestling.** Action with the American giants.

**4.40 ITN News and Results; Weather.**

**4.55 London Tonight and Sport; Weather.**

**5.10 Catchphrase.**

**5.40 Gladiators.** Presented by John Fashanu and Ulrika Jonsson.

**6.40 Blind Date.** Cilla Black plays matchmaker to more would-be romantics.

**7.40 The Bill.** Quinnan suspects an empty shop is being used as a clearing house for stolen property.

**8.10 Michael Winner's True Crimes.** Reconstruction of how the police caught smooth-talking casanova Christopher McFarlane-Gray, the man who cheated over 100 women out of more than £100,000.

**8.40 ITN News; Weather.**

**8.55 London Weather.**

**9.00 Laughter by Royal Command.** Denis Norden takes an affectionate look back at Royal Variety Shows that have been televised over the past 30 years, and highlights moments that have genuinely amused the Queen.

**10.00 Film: Betrayed.** An FBI undercover agent infiltrates right-wing extremists in America's heartland. Thriller, with Debra Winger and Tom Berenger (1988).

**12.15 The Big Fight.** Another chance to see the rematch between Evander Holyfield v Riddick Bowe, for the WBA and IBF World Heavyweight title.

**1.15 INXS: The Video Movie.**

**2.15 Get Stuffed.**

**2.20 The Big E.**

**3.15 Travel Trails.**

**3.45 New Music.**

**4.45 BPM.**

**5.30 ITN Morning News.**

### CHANNEL4

6.00 Early Morning. 9.45 The American Football Big Match. 11.00 Gazzetta Football Italia. 12.00 Sign On. 12.30 pm Movie Mahal.

**1.05 Film: Remember the Day.** Nostalgic drama chronicling the life of an elderly schoolmistress. With Claudette Colbert and John Payne (1941).

**2.40 Film: It Happened One Night.** Cynical journalist Clark Gable romantically pursues heiress Claudette Colbert across depression-era America in Frank Capra's Oscar-winning comedy (1934).

**4.35 Private View: The Turner Prize.** Time Out art critic Sarah Kent tours the Turner Prize exhibition at the Tate Gallery and assesses the work of the four shortlisted artists – sculptor Rachel Whiteread, abstract painter Sean Scully, installation artist Vong Phaophanit, and photographer Hannah Collins.

**6.05 Brookside.**

**6.30 Right to Reply.**

**7.00 News Summary.**

**7.05 Earthquake India.** Following the destruction in September this year, survivors tell how they are trying to rebuild their shattered lives without the help of foreign aid. The programme visits refugee camps where India's strict class system is still observed, and features an interview with Sharad Pawar, chief minister of Maharashtra, who reaffirms his promise to restore the devastated villages within six months.

**8.00 Four-Mations.** Interviews with promising animators and extracts from their work.

**8.30 Whose Line Is It Anyway?** Improvisation comedy hosted by Clive Anderson.

**9.00 Brides of Christ.** First of a six-part Australian drama based in a convent in the 1960s. Two young women confront the reality of dedicating their lives to the Church and, while senior nuns struggle to cope with new freedoms given by the Vatican, their teenage students face an equally demanding voyage of self-discovery. With Oscar-winning Brenda Fricker and Josephine Byrnes.

**10.05 Rory Bremner: Who Else?** Razor-edged observations from the multi-talented satirist.

**10.45 Paul McCartney Live.** Concert and backstage footage from the American leg of the superstar's world tour.

**1.05 Four-Mations.**

**1.35 When Reason Sleeps.**

**2.30 Close.**

### REGIONS

## SUNDAY

### BBC1

7.05 Match of the Day: The Road to Wembley. 8.00 Remembrance Meditation. 8.15 Breakfast with Frost. 9.15 Disabled Lives. 10.00 See Hear! 10.30 The Cenotaph. 11.55 Meditation.

### BBC2

7.15 Poddington Peas. 7.20 Playdays. 7.40 Wishing. 7.50 Telling Tales. 8.05 Blue Peter. 8.50 Albert the 5th Musketeer. 9.15 Jonny Briggs. 9.30 Time-

### LWT

6.00 GMTV. 9.25 The Disney Club. 10.15 Link. 10.30 Sunday Morning. 12.30 pm Crosstalk: London Weather.

### CHANNEL4

6.00 Early Morning. 9.25 Wowser. 9.40 Laurel and Hardy. 9.45 Dog City. 10.15 Beat That Sport. 10.45 Land of the Giants. 11.45 Little House on the

### REGIONS

# RADIO

## SATURDAY

## SUNDAY

# CHESS

GARY Kasparov is only 30, very fit, and was five games up on Nigel Short during the second half of the PCA world championship; so it was a mystery when Kasparov kept complaining of fatigue. In *World Chess Championship: Kasparov v Short* by Daniel King and Donald Trelford (Cadogan, £7.99) Trelford writes that Kasparov was worried by Short's stiff resistance, the anti-Yeltsin coup, PCA administration, and ... his business.

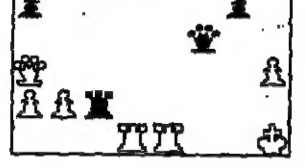
He and his manager Andrew Page have set up an air charter group with the Elizabethan-sounding name of the Muscovy Trading Company.

King/Trelford have a different view of the match to Raymond Keene's *Kasparov v Short 1993* (Batsford, £7.99) so for maximum interest I suggest a simultaneous read. Kasparov was back to form after retaining his title, defeating Short 4-0 at rapid chess. (N Short, White; G Kasparov, Black; 4th rapid game 1993).

1 e4 c5 2 c3 Nf6 3 e5 Nd5 4 g3 d6 5 exd6 e6 6 Bg2 Bxd6 7 Nf3 0-0 8 0-0 Nc6 9 d3?! Eduardas Rozentalis, Lithuania's No 1 and the expert on this line, prefers 9 Na3.

b6 10 Nbd2 Bb7 11 Qe2 Bc7 12 Nc4 Re8 13 a4 h6 14 Bd2 Qd7 15 Rad1 Rad8 16 Bc1 e5 17 Rfe1 f5 18 Nh4 Qf7 19 Bf3 Rf8 20 Bh5 Qd7 21 Ng6 Rfe8 22 Qf1? better is 22 Nh4, when the onus is on Kasparov to avoid a draw. Nf6 23 Bf3 Kh7 24 Nh4 g5 25 Ng2 f4 26 Qe2 Kg7 27 Qc2 Qh3 28 Nd2 e4! 29 Rxe4 Nxe4 30 Bxe4 Rxe4! 31 dxe4 Ne5 32 Ne1 Ba6 33 c4 Rxd2! 34 Rxd2 Bxc4 35 Rd3 played so Channel 4 viewers could see mate. Bxd3 36 Nxd3 Nf3+ 37 Kh1 Qf1 mate.

No 996



M Vidmar v M Euwe, Carlsbad 1929. White (to move) seems to have no defence to Qh2 mate; how did he save the game?

Apologies if you found last week's problem impossible to solve; the printer repeated the previous week's diagram.

*Solution Page XXIV*

***Leonard Barden***

# BRIDGE

Today's hand is from rubber bridge.

| | N | |
|---|---|---|
| | ♠ A 7 | |
| | ♥ J 7 5 | |
| | ♦ K J 10 6 5 4 | |
| | ♣ A 8 | |
| W | | E |
| ♠ K Q J 10 8 | | ♠ 9 6 4 3 |
| ♥ 6 4 | | ♥ Q 8 3 |
| ♦ 9 2 | | ♦ A Q 7 3 |
| ♣ Q J 9 4 | | ♣ 6 2 |
| | S | |
| | ♠ 5 2 | |
| | ♥ A K 10 9 2 | |
| | ♦ 8 | |
| | ♣ K 10 7 5 3 | |

With North-South vulnerable, North dealt and bid one diamond, South replied one heart and West bid one spade. North rebid two diamonds, South said three clubs, North gave preference with three hearts and North's four spades ended the auction.

West led the spade king. Taking with dummy's ace, declarer cashed ace and king of clubs, and ruffed a club with the five of hearts.East overruffed and returned his spade nine to his partner's 10, West played his queen of clubs, ruffed with the heart knave and overruffed with the queen. The diamond ace put the contract down.

The declarer said that he was unlucky. Do we agree?

Let us replay the hand and see whether we can do better. The first three tricks are the same as before, but at trick four we allow the knave of clubs to win, discarding dummy's seven of spades. West leads the spade queen, dummy ruffs, and South crosses to his heart ace, and ruffs a fourth club with the knave of hearts, and East overruffs. South ruffs the spade return, draws the last trump, and claims, conceding one diamond.

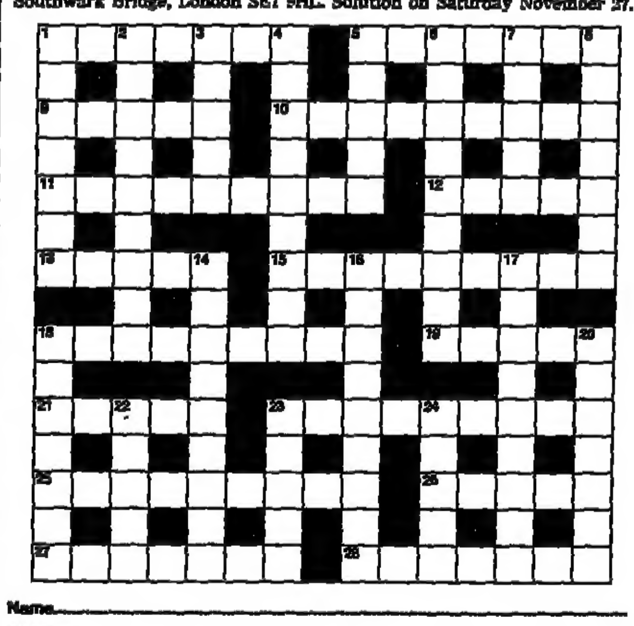
"Just a minute,you say,why does not West play a trump after winning the third trick with the club knave? This prevents the declarer from ruffing any club." Very true. It prevents the club ruff, but it cost you the queen of hearts.

***E P C Cotter***

# CROSSWORD

## No. 8,305 Set by CINEPHILE

A prize of a classic Pelikan Souverän 800 fountain pen, inscribed with the winner's name for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday November 24, marked Crossword 8,305 on the envelope, to the Financial Times, No 1 Southwark Bridge, London SE1 9HL. Solution on Saturday November 27.




Name

Address

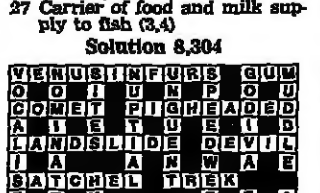
**ACROSS**

1 Took egg from nest and put in hot water (8)
5 Part of theatre with article required- there to keep the roof up? (3,4)
9 Make sense of being 'auled before the bench, say (3,2)
10 Woodwork? A sort of stone is outside part of the picture (9)
11 Professional leader, about first century, attached to pachyderm? (9)
12 Put up with a little water (5)
13 Point held by agreeable relative (5)
15 A trouble shared, as it were, produces worship (9)
18 Sparky bit of stuff. in whose embrace the world gets right (6,3)
19 Old coin of French pet (5)
21 Morning everybody! Back to South American transport (5)
23 Jump in and let's mix a long drink (4,5)
25 Act 2 is a problem for the wardrobe (9)
26 Purposed to put setter with insect (5)
27 Carrier of food and milk supply to fish (3,4)
28 Support includes single starter (7)

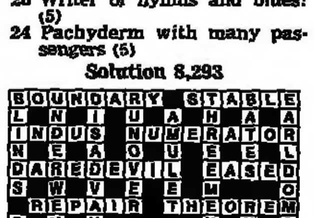
**DOWN**

1 Writing toy contains tots (4,3)
2 Mythical galaxy with an incomplete camel (9)
3 Pachyderm finds fruit on river (5)
4 Beautify church music in resting-place (9)
5 Diarist is stimulating around start of year (5)
6 Follow directors to find something from back of a lorry (9)
7 Pachyderm for dosh (5)
8 The Suidae at American football (7)
14 Remover of more carat gold? (9)
16 Set of pipes to muzzle the press? (5,4)
17 Forcibly teach uncle Act 1? (9)
18 Scorer of 50? in IQ test? (7)
20 Junction – turbulent priest and betting assistant (7)
22 Part of the Jungian imagination (5)
23 Writer of hymns and blues? (5)
24 Pachyderm with many passengers (5)

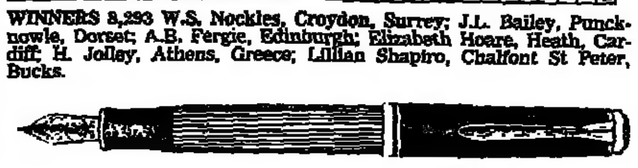
**Solution 8,304**




**Solution 8,293**




WINNERS 8,293 W.S. Nockles, Croydon, Surrey; J.L. Bailey, Puncknowle, Dorset; A.B. Fergie, Edinburgh; Elizabeth Hoare, Heath, Cardiff; H. Jolley, Athens, Greece; Lillian Shapiro, Chalfont St Peter, Bucks.



# I'm back – has anything happened?

## *Dominic Lawson puts his new book aside and returns to the 'real' world*

TO ALL those who have written to me while I have been away, begging me to return, I would like to say: thank you, both of you. My advice to all other readers is to turn over to the next page.

That, at least, is what I have been doing over the past two months: reading nothing. No newspapers, no magazines; nothing. Disraeli said that if he wanted to read a good book, he would write one. In my own more modest way, I have followed the same approach. I have read nothing except for the words of my own book, as they have emerged on the computer screen. My television has remained in its cupboard, not even to be wheeled out at the news witching hours.

I have become, in a word, ignorant. Ignorant, at least, about all the things which are supposed to be important. What is the latest word on Kenneth Clarke's Budget plans? Is John Major getting more or (even) less popular? Are house prices turning up? I don't know, and frankly, my dears, I don't give a damn.

To the extent that the viscous fluid of political life percolated through to my study at all, the most eminently indigestible was the domestic scene. It suddenly did seem all immensely boring and unimportant. But even matters of international significance left me unengaged. Did I care desperately about the resolution of the Palestinian issue? No. Did I mind whether Boris Yeltsin succeeded in storming the White House? No. Was I kept awake at night worrying about nuclear proliferation in North Korea? No, I was not.

You might think this perfectly normal behaviour. You too might consider these matters to be crashingly boring, although I suspect that, as an FT reader, you are unlikely to be so parochial. But the thing is, I am an editor. I am supposed to be greatly fascinated by the domestic and international political scene. I am supposed to care about who is up, and who is down, what is in, and what is out. Not only that: I am supposed to have views on such matters.

While I was writing my book, I turned down every invitation I received to cocktail and dinner parties. Ostensibly the reason was that I was far too busy scribbling to find the time or the energy to socialise, let alone eat and converse simultaneously. And there was some truth in that. But it occurs to me that there was another reason for my apparent ascetism. I was simply embarrassed that I would be asked my opinion on the latest topics of political importance and thereby my vast range of ignorance would be exposed to the sort of people it is my job to impress. Sing for my supper? I couldn't even have croaked.

My book is about the psychology of sporting and intellectual conflict, as seen through the medium of world championship chess. This, it seems to me, is a topic of fascinating interest. But there are limits to the extent to which a cocktail or dinner party conversation can revolve around such matters. Small talk, it is not.

When I finally returned to my office, having delivered my baby to the publishers, I received a number of friendly letters and telephone calls. Virtually all of them said something along the lines of "Welcome back to the real world."

What these kind people meant was that the world of current affairs journalism was real, and the world of Grandmaster chess was not. In a way, I understood this. Chess is, for most people, just a game. But for those who play it for a living, it is real enough. They are engaging in pure, creative, mental conflict, and pushing real chess pieces around a chess board. There is no hypocrisy at the chess board. Something either works, or it does not. In this sense, chess has similar properties to the worlds of engineers or physicists.

But what do political journalists do? And what, for that matter, is it that politicians do? They talk a lot. They have lunch a lot. Usually with each other. From time to time they make things up. On some occasions they do something useful. Because some of the things they do are useful, they consider them "real", and, therefore, important.

But now I miss the pure, useless, value-free world of the chess Grandmasters. And I am sorry, in a way, to return to the "real" world where people try so desperately hard to govern and influence the behaviour of their fellow men.

■ *Dominic Lawson is editor of The Spectator.*

Private View/**Christian Tyler**

# When work is a perk

## *Guy Standing thinks every citizen should get welfare benefit*

AS THE unemployed slum-dweller in Jamaica said when quizzed by a visiting economist: "Man, I don't want a job. I want to work." But in an era when jobs are increasingly – perhaps permanently – scarce, the distinction between a "job" and "work" is no longer a matter of semantics only. According to Dr Guy Standing, the economist of the anecdote, it becomes the starting point for a humane response to a struggling labour market and shrinking welfare state. If we are to help the unemployed, we must change our definition of employment.

Standing, an officer of the UN International Labour Organisation, has studied the labour markets of western Europe, eastern Europe and Russia. For the past five years, he has been privately promoting the idea of a "citizenship income guarantee." The idea is seductively simple: give every citizen, regardless of age, work or marital status, a guaranteed minimum income. Children might receive a portion, the poorest a supplement.

For non-earners, it could be an automatic payment or a lifetime credit acquired at birth and drawn down when needed. For earners, it would take the form of a tax credit. The aim, says Standing, is to combine the virtues of labour flexibility (giving people more choice about when and how they work) with the justice of income security. And the way to do it is to sever the link between welfare and work.

His project is not new: in its various guises, it has been called a negative income tax, social dividend, social credit or basic income. And, as Standing confesses, it has in the past attracted its fair share of cranks as well as the academically respectable. But with unemployment in the European Union heading towards 18m, and in Russia towards 20m, he says the citizens' wage is winning converts.

Standing's underlying assumption is that while there will be work, there will not be so many jobs. Does that mean, I asked him, that people will have to be paid not to join the labour market – at least, not full-time?

"Yes. It's a regrettable fact that the era of full employment in the old sense is past; and while the notion of full work opportunities for all is something we should cherish and promote, the idea of everybody being in full-time, regular, protected employment is now not likely to return."

You have said that full employment is not all that wonderful. What do you mean?

"Full employment would not be wonderful if it meant putting large numbers of people into low-wage jobs with poor working conditions and a lack of basic rights.

"If you remove all protective regulations and institutional support – including trade unions – the labour market you create at the bottom is very unedifying. After all the social and economic progress that Europe has achieved, to return to that model would be a monumental historical defeat."

He sees the citizenship wage as an answer to the failure of full employment strategies (communist as well as capitalist) and as a counter to the growing popularity of workfare – the principle that the unemployed should be compelled to work for their welfare cheque. Workfare, he said, was both immoral and uneconomic. "You create a low-wage stratum of people who would bump out others who were doing the work before. It can be an obstacle to skill development."

It also corrected the failure of the benefit system. (Only 30 per cent of unemployed Britons actually receive unemployment benefit. The fraction in Russia is even smaller). In any system, people fall through the net. Meanwhile, payments are being reduced and qualifying criteria stiffened. Means testing is on the increase.

Standing is chairman of a little-known body called Bien, a punning acronym for Basic Income European Network. His 15 minutes of fame came aged 23, when, fresh from a PhD in labour economics at Cambridge, he combed the UK census figures and announced that the unemployment rate was really 1m, not the 700,000 the government had announced.

Offered a job at the UK Department of Employment, he chose the ILO instead. Why? "Because I believed, and I still believe, that to have civilised labour markets requires an institutional approach." These days, he works in Budapest directing a team of ILO field-workers throughout central and eastern Europe. Significantly, the ILO has not adopted the basic income idea itself.

I asked Standing how he would sell his ideas to governments.

"The politicians have gone for efficiency and improving the flexibility of labour markets. These are worthy objectives. With income support, more people will be able to take part-time jobs, to take risks, to experiment with training, to move in and out of the market." The poor would be helped out of the unemployment trap (when loss of benefit is a disincentive to working) and the poverty trap (when the loss is a disincentive to working harder).

What about the black economy and welfare-scrounger argument?

"Politicians are ambivalent. Sometimes they talk of scrounging, sometimes about personal initiative and entrepreneurial talent. Most people doing well in the informal economy are the ones who tend to have regular jobs – savings, contacts, etc – whereas most unemployed do not have those things.

"You either go for more policing, which leads in rather worrying directions, or you have to find ways of legitimising many forms of activity that are only illegitimate in dysfunctional systems."

Would the basic income be enough to live on?

"We're hoping that, gradually, you move in the direction of providing an income where people could, if necessary, survive without earnings for a period. But we're not so naive as to think that is a realistic possibility in the near future."

*How would you sell it to workers for whom unemployment is the great stigma?*

"Look, unemployment is a reality in Europe now. Most people are afraid of it, particularly those in manual jobs. You offer them different types of work, waged jobs for a certain period, or training, or self-employment. I am convinced of the attractions, particularly to those who feel frustrated in a narrow, static job.

"And despite what some trade union leaders say, this prevents sweated labour. You wouldn't be forced to take the terrible jobs any more."

What you describe sounds like communism, I said. It's the iron rice bowl again.

"No, it's moving away from old labels altogether. Under the Leninist model, there was a guarantee of some sort of income, but it was for workers. If you were not a wage labourer – and usually a manual labourer – then you didn't have any entitlements to society's surplus and you were regarded as a social parasite. And there was a compulsion to do waged labour."

But wouldn't it be fabulously expensive?

"No, because there is a lot of churning in the existing system: benefits to middle-income groups, waste, duplication, administration. The Dutch have costed it and found they could provide a reasonable level of basic income with only a small rise in the average tax rate.

"Then, if you turn benefit receivers into tax-paying workers, you are increasing the tax base. One of the problems of recent years has been the erosion of the tax base, with people at both ends of the income scale bypassing it."

So, some of the middle-class tax perks would be removed?

"I think that's essential."

The 1990s, he said, was an era for experimentation: with new kinds of working, social protection and wealth distribution. A citizenship wage was only one of many techniques to be employed on the road to economic and social democracy without which political democracy could not survive.

"In the end, it's a question of what sort of democracy you want to create." People detached from the labour market had to be re-attached. "Should it be by paternalistic direction and regulation, or by maintaining a liberal attitude and letting them make their own choices – giving them education, training, the opportunity for different occupations..?"

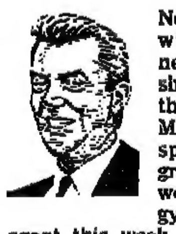
Including the the opportunity not to work?

"Exactly. But if they take that opportunity, the consequences are a pretty low income. I have never met anyone content to live on a bare survival income. It takes a very strange view of human nature to think that large numbers of people would want to be idle. Human beings are not like that."

Tony Andrews

# Tax to save us from smut

## *By Michael Thompson-Noel*



Normally I have no truck with Britain's tabloid newspapers. Life is too short. But in the wake of the argy-bargy caused by Mirror Group Newspapers' spy-in-the-ceiling photographs of Princess Diana working out in a private gym, I called at my newsagent this week and bought the Smutty Four of daily journalism: *Mirror*, *Sun*, *Star* and *Sport*.

The newsagent looked askance. In his eyes, my only flirtation with insalubrity is an occasional purchase of the *Racing Post* – a tabloid, admittedly, but one that is much superior to its broadsheet rival, the dim-witted *Sporting Life*.

I told the newsagent: "Don't look askance. If it wasn't for you newsagents, the profession of journalism would not be under siege. If newsagents refused to sell the Smutty Four, the rest of the press – honourable enterprises attempting to do their jobs with dignity and integrity – would not be splattered by the muck thrown up by the tabloids."

I explained to the newsagent that because of the smutties, the rest of the press was in danger of being tarred and feathered by two unwelcome developments: further encroachment on press freedom via the introduction of restrictive privacy laws; and the slapping of VAT on newspapers and books when the chancellor of the exchequer, Kenneth Clarke Ha Ha Ha, introduces his first Budget later this month.

I doubt whether Kenneth Clarke Ha Ha Ha is seriously considering levying VAT on the printed word; but he *might* be. Nor do I think that the hooligans at Mirror Group have necessarily guaranteed the introduction of legislation that, to quote *The Times*, "will do little to protect privacy and much to hamper the press"; but they *might* have.

Yet I have a further objection to the Smutty Four: with their pandering and sleaze and bigotry and hypocrisy they help entrap millions of readers in a tar-pit of ignorance.

Every time I see a person reading one of the smutties, I say to them: "Why must you *do* that? They are taking you for a fool. All they give you is a few cheap

HAWKS & HANDSAWS

thrills. Pictures of naked ladies. A drip-feed of sensationalism. Pandering to your prejudices. Confirming you in your ignorance. Pushing you down and down. You really must snap out of it. Buy a decent newspaper. Even *The Independent*. Of course it's wretchedly po-faced. Entirely the fault of the editor. But at least it's got a brain. Do yourself a favour. Try and get out of the gutter."

I have never been properly thanked for tendering this advice. The person I am trying to help emits a low Neanderthal growl and generally tries to club me.

Initially, Lord McGregor, chairman of the Press Complaints Commission, urged advertisers to boycott the *Daily* and *Sunday Mirror*, and two of them, the Royal Automobile Club and Autoglass, were quick to pull out once the mud was flying. Yet the morning after Princess Diana obtained a High Court injunction preventing further publication of the eye-spy pictures, the smutties were still full of adverts.

Prominent advertisers in the *Mirror* included Lloyds Bank Insurance Services, Toyota, Sainsbury, Maxwell House, Tesco, General Accident, Coalite, Kitchens Direct, Gateway – even the Newspaper Publishers Association, which had a full-page ad. The *Sport* had only porno ads, but the *Star*, which is not much better, was thick with General Accident, Daihatsu, BT, the RAC, Citroën, Royal Insurance, Coalite, Reader's Digest, National Westminster Bank, Gateway, Franklin Mint – and the Newspaper Publishers Association.

But advertisers should not be blamed for the activities of the media, and the hapless McGregor later cancelled his call for a boycott. Advertisers chase demographics: if BT and General Accident want business *from perverts, that is probably their affair.*

Rather than hassling advertisers, I plan to harass Kenneth Clarke Ha Ha Ha. I shall tell him that instead of imposing VAT on books and newspapers he must introduce RAT – a Rather Awesome Tax on all smutty tabloids, Sundays included. Proceeds from RAT will not go to the Treasury but will be donated to the broadsheets to help them keep afloat.

RAT could be extended to books. Why should a hack like Jeffrey Archer salt away millions while a true artist like Barry Unsworth, author of many excellent novels, has to scrimp and scrape and live in Finland?

RAT has immense potential for cultural and social good. I believe it will be the saving of us.